TSANTSABANE MUNICIPALITY

MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK 2016/2017 TO 2018/2019

ANNUAL BUDGET OF

TSANTSABANE MUNICIPALITY

2016/17 TO 2018/19

MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

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Abbreviations and Acronyms

BPC	Budget Planning Committee
CFO	Chief Financial Officer
MM	Municipal Manager
CPI	Consumer Price Index
CRRF	Capital Replacement Reserve Fund
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
DWA	Department of Water Affairs
EE	Employment Equity
EEDSM	Energy Efficiency Demand Side Management
EM	Executive Mayor
FBS	Free basic services
GDP	Gross domestic product
GDS	Gauteng Growth and Development Strategy
GFS	Government Financial Statistics
GRAP	General Recognised Accounting Practice
HR	Human Resources
IDP	Integrated Development Strategy
IT	Information Technology
kℓ	kilolitre
km	kilometre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt
ℓ	litre
LED	Local Economic Development
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act Programme
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
MTEF	Medium-term Expenditure Framework
MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Electricity Regulator South Africa
NGO	Non-Governmental organisations
NKPIs	National Key Performance Indicators
OHS	Occupational Health and Safety
OP	Operational Plan
PBO	Public Benefit Organisations
PHC	Provincial Health Care
PMS	Performance Management System
PPE	Property Plant and Equipment
PPP	Public Private Partnership
PTIS	Public Transport Infrastructure System
RG	Restructuring Grant
RSC	Regional Services Council
SALGA	South African Local Government Association
SDBIP	Service Delivery Budget Implementation Plan
SMME	Small Micro and Medium Enterprises

Part 1 – Annual Budget

1.1 Mayor's Report

Introduction

Fellow Councillors, Managers and Officials, we meet at this Council Chamber to table the Tsantsabane Municipality three-year budget for the 2016/2017, 2017/2018 and 2018/2019 financial years.

The budget has been informed by the key objectives as expressed in the Integrated Development Plan (IDP), with the emphasis again being on expediting delivery of basic services.

Honourable Councillors, our town's Integrated Development Plan (IDP) 2011-2016 is a strategic document that clearly outlines the town's development objectives and provides a policy framework that guides management in decision making related to budgeting and planning for our town within a five-year medium term period.

Outline of the Budget and IDP consultation process

Tsantsabane Municipality is committed to strengthening and extending public participation in its work. The right of communities to be heard, to be involved and to receive information is embedded in our approach to local governance.

Honourable Councillors, Section 5 (1) of the Municipal Systems Act of 2000 provides the following rights for members of a local community:

(a) To submit written or oral recommendations to the municipal council or a political office bearer or to the administration of the municipality

(b) The right to be informed of decisions of the municipal councils or another political structure or any political office bearer of the municipality, on matters affecting their rights, property and reasonable expectations.

(c) To have access to information on the state of affairs of a municipality including its finances

(d) To access municipal council and committees except when it is not reasonable to do so

Tsantsabane Municipality followed the following processes for consultation for the 2016/2017 budget and IDP:

- Initial advertisements in local media of dates, times and venues of consultation
- Held consultations with residents; non-governmental organisations, community-based organisations and labour; the women's sector; and business

The content of this consultation processes included the following:

- An overview of the 2016/2017 Budget and IDP
- Priority plans for 2016/2017
- The 2016/2017 tariffs
- 2016/2017 Mayoral Budget Speech

A brief outline of our 2016/2017 priorities and plans

I want to spend some time examining our priorities and plans for 2016/2017 financial year.

- **Effective financial management:**
  We will continue with our effort on the management of billing, revenue and credit control to address the shortcomings identified by the Auditor General. We know about and remain aware of these issues and we are systematically addressing them in an on-going manner.

- **Sustainable development and environmental management:**
  This is focused on implementing policies aimed at promoting sustainable development. We want to ensure that we plan and implement our policies in a way that ensures integration of all our local government economic, social and cultural programmes.

- **Doing the basics right:**
  This includes removal and management of waste, cutting overgrown grass, functioning streetlights, fixing burst pipes and enforcing by-laws. A customer care system is being developed and will assist in strengthening our implementation programmes.

- **Housing and Informal settlements:**
  All informal settlements must be formalised within five years. The identification of the owner and registration of each shack, it's numbering, the demarcation and fencing of the yard, as well as the location of such a shack in an identifiable street will go a long way towards ensuring containment and safety. We remain committed to delivering quality and decent housing to all our people

Balancing of budget - Tariff increases

It should be noted that the proposed increases are not happening in a vacuum, but are part and parcel of a long-term economic development plan that will deliver a Municipality which is effectively and efficiently run, with well-maintained services and facilities. The Municipality however, is affected by all sorts of external factors like inflation, to an extent by some national government policy decisions, certain international factors as well as the employment and affordability demographics of the Municipality's residents.

SERVICE	% INCREASE 2016/2017	
Rates	7.50%	
Electricity	7.80%	
Water	10.50%	
Refuse	8.75%	
Sewerage	7.80%	

Poverty relief

Honourable Councillors, this budget is targeted towards enhanced service delivery. As a Municipality we are continuously ensuring improved access to free basic services and dealing with backlogs in basic infrastructure. Several measures have also been taken to make the municipal account more affordable to poorer households.

Let's look at some of the measures we already have in place: These include:

- The first 6 kl of water is free to all registered indigent households.
- The first 50kwh of electricity is free to all registered indigent households.
- The first R30,000.00 of the market value of all residential properties and of all properties used for multiple purposes, provided one or more components of such properties are used for residential purposes, is exempt from the payment of rates in terms of Section 17(1)(h) of the Property Rates Act (2004).
- Registered Indigent Households receive an additional 20% rebate on property rates.
- We have introduced a number of extensions in deadlines to allow struggling ratepayers ample time to settle their debts;

Financial matters

The Equitable Share allocation from national Government has increased from R28,192 million in 2015/16 to R30,151 million in 2016/17, an increase of R1.959 million. The bulk of the increase is being directed towards the provision of Basic Services.

One of the major institutional challenges faced by the municipality is the implementation of the Municipal Finance Management Act (MFMA). The MFMA is geared towards ensuring effective and efficient financial management and budgeting as a way of promoting transparency, participation and accountability of municipalities.

In its commitment to a more open and transparent approach to governance at all levels, the Department of Finance has introduced Generally Recognised Accounting Practice (GRAP), a more transparent style of reporting which sets out the financial position of a Municipality in a more meaningful and user friendly manner. Tsantsabane Municipality did compile GRAP Financial Statements for 2014/15.

The asset register needs to be GRAP compliant. There are still other control challenges that need to be address during this and the next financial year.

Summary

It must be noted that this budget is cash driven and that it is critical that the forecasted debtor payment percentages must be met in order to ensure Council collects the necessary revenue to maximize service delivery. We need to implement a pre-paid water system to improve on our cash flow situation.

I am positive that this budget will help to stabilise the cash flow situation of the Council, and that it will be instrumental in changing the lives for the better for the greater Tsantsabane community.

Conclusion

We are convinced that our management team, officials and workers are committed to serve and make a lasting contribution to improve the quality of life of every citizen. We may come from different political parties, argue and differ, but on the question of addressing the bread and butter issues, the challenges facing this local government in Tsantsabane, we should speak with one voice. Anything else should be unthinkable. We have come far, but there is still a lot to be done. We are here today, to recommit ourselves to change the lives of our people for the better.

I am grateful to the members of the Financial Committee, Councillors, the Municipal Manager, the CFO and the general staff for their assistance and support during the year.

……..
MAYOR: E PHETE

1.2 Council Resolutions

It is recommended that the Council approves and adopts the following resolutions for the annual budget:

The Council of Tsantsabane Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

1.1. The annual budget of the municipality for the financial year 2016/17 and the multi-year and single-year capital appropriations as set out in the following tables:
   1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification);
   1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote);
   1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type); and
   1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source.

1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus/revisit, asset management and basic service delivery targets are approved as set out in the following tables attached in the budget documentation:
   1.2.1. Budgeted Financial Position;
   1.2.2. Budgeted Cash Flows;
   1.2.3. Cash backed reserves and accumulated surplus reconciliation;
   1.2.4. Asset management; and
   1.2.5. Basic service delivery measurement.

2. The Council of Tsantsabane Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts the following tariffs as attached in the budget documentation, with effect from 1 July 2016:

   2.1. the tariffs for property rates which are increasing on average by 7.5%; (Refer to tariff schedule.)
   2.2. the tariffs for electricity which on average rate increasing by 7.80%; (Refer to tariff schedule.) NERS approved tariffs will apply.
   2.3. the tariffs for the supply of water on average by 10.5%; (Refer to tariff schedule.)
   2.4. the tariffs for sanitation services on average by 8.75%; (Refer to tariff schedule.) and
   2.5. the tariffs for solid waste services which are increasing on average by 7.8%. (Refer to tariff schedule.)

3. The Council of Tsantsabane Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2016 the tariffs for other services, which are increasing on average by 8,6% percent, as set out in the attached budget documentation.

4. To give proper effect to the municipality's annual budget, the Council of Tsantsabane Municipality approves:
   4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, and unspent conditional grants are cash backed as required in terms of the municipality's

funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities. The Municipal Budget and Reporting Regulations, as well as various circulars issued by National Treasury, provides the guidance for budget preparation by local government.

The main items identified can be summarised as follows:

- Improved service delivery;
- Underdeveloped areas;
- Impoverished communities;
- Co-operative governance;
- Unfunded mandates, core functions service delivery agents;
- Land availability for e.g. economic development;
- Land availability for establishing tip-sites;
- Alternative service delivery options;
- Obtaining a "clean audit" inclusive of performance management;
- Delegation- and procedure manuals;
- Risk management;
- Improved planning and beyond 5 years;
- High crime rate;
- Service delivery backlogs;
- Improved maintenance programs;
- Local economic development facilitation;
- Adequacy of municipal reserves and financial sustainability;
- Curtail electricity losses;
- Tourism initiatives; and
- Improved public participation.

National Treasury's MFMA Circulars No. 58, 59, 66, 67, 70, 72, 74, 75, 78 and 79 were mainly used to guide the compilation of the 2016/17 MTREF. Some of the key challenges faced by the municipality when compiling the budget were:

- The on-going difficulties in the national and local economy;
- Aging roads, asbestos pipes, the capacity of the sewer work and electricity infrastructure;
- The need to prioritise projects and expenditure within the existing resource envelope;
- ***The increased cost of electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Similarly the effect of the water tariffs, as determined by the Sedibeng Water Board, on consumers. Continuous high tariff increases are not sustainable - as there will be a point where services will no-longer be affordable;***
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects and the resultant operational costs associated with new infrastructure projects; and

The municipality is in an unhealthy financial position, however, it needs to at least stabilise and further strife to continuously better its financial position, coupled with acceptable levels of service delivery at affordable tariffs. The retention of sufficient cash-backed reserves is critical for the long-term sustainability of the municipality, and to this end the municipality is not achieving this objective. The Capital Replacement Reserve needs to be at a level where all capital spending should be funded from. Currently there are no funds in the CRR (Capital Replacement Reserve) to fund any capital projects.

The following budget principles and guidelines directly informed the compilation of the 2016/17 MTREF:

- The 2015/16 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2016/17 annual budget;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- The budget must be spent in full, and all grants should be utilised in full;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2016/17 Medium-term Revenue and Expenditure Framework:

NC085 Tsantsabane - Table A1 Budget Summary

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Financial Performance										
Property rates	10 546	24 108	24 345	26 000	26 000	26 000	–	27 950	30 354	34 194
Service charges	70 718	73 146	81 734	104 381	90 777	90 777	–	88 093	106 908	123 895
Investment revenue	1 639	880	1 071	510	510	510	–	541	577	617
Transfers recognised - operational	48 879	29 306	47 610	30 997	33 697	33 697	–	35 713	37 632	40 354
Other own revenue	43 949	67 284	28 591	47 367	17 504	17 504	–	60 584	54 650	49 200
Total Revenue (excluding capital transfers and contributions)	175 731	194 724	183 350	209 255	168 488	168 488	–	212 880	230 122	248 260
Employee costs	43 299	46 655	53 668	63 744	63 880	63 880	–	74 730	79 812	85 319
Remuneration of councillors	2 603	3 831	2 944	3 071	3 071	3 071	–	3 205	3 423	3 659
Depreciation & asset impairment	19 277	8 627	7 604	15 227	15 227	15 227	–	7 713	8 238	8 806
Finance charges	4 758	5 398	2 545	6 848	6 848	6 848	–	5 249	5 606	5 993
Materials and bulk purchases	35 119	41 306	66 110	51 144	51 144	51 144	–	56 281	62 039	68 527
Transfers and grants	–	–	–	–	–	–	–	–	–	–
Other expenditure	45 219	44 443	47 824	63 967	67 653	67 653	–	65 641	70 896	75 801
Total Expenditure	150 275	150 260	180 695	204 001	207 823	207 823	–	212 819	230 014	248 105
Surplus/(Deficit)	25 456	44 464	2 655	5 254	(39 335)	(39 335)	–	62	109	156

Total operating revenue has increase by 26.35% for the 2016/17 financial year when compared to the 2015/16 Adjustments Budget. For the two outer years, operational revenue will increase by 8.1% and 7.88% respectively, equating to a total revenue increase of R79,772 million over

the MTREF when compared to the 2015/16 adjustment budget. The main reason for the increase in revenue is service charges and sale of available land (stands).

Total operating expenditure for the 2016/17 financial year has been appropriated at R218,819 million and translates into a budgeted surplus of R62 000 before capital transfers. When compared to the 2015/16 Adjustments Budget, operational expenditure has increased by 2,40% in the 2016/17 budget and increases by 8,08% and 7,87% for each of the respective outer years of the MTREF. The operating surplus, before capital grant transfers, for the two outer years increases to R109 000 for the 2017/18 financial year and then increases to R156 000 for the 2018/19 financial year. The main reason for the increase in expenditure is employee related cost, bulk water and electricity, depreciation and debt impairment.

The capital budget of R18,218 million for 2016/17 is 31,30 per cent less when compared to the 2015/16 Adjustment Budget. The capital programme further increases to R22,072 million in the 2017/18 financial year and then increases in 2018/19 financial year to R28,462 million. A substantial portion of the capital budget will be funded from grants (R14,833 million 2016/17) over the MTREF, own revenue (R3,385 million) making up the funding sources.

1.4 Operating Revenue Framework

For Tsantsabane Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges and will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- A financially sustainable municipality;
- National Treasury's guidelines and macroeconomic policy;
- Limited growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a **70,0** per cent annual collection rate for property rates and other key service charges. This percentage is high compared to past history, but is being calculated conservatively due to the signs of financial stress currently being experienced;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The inflation forecasts for the MTREF period is on average 6,6% per annum. The municipality's aim is to not exceed inflation in its annual tariff adjustments but external factors such as the

Eskom increases and which are beyond the control of the municipality hampers this goal. ***Tariffs are not cost reflected and needs to be cost reflected. The tariff increase will be more than the average inflation forecast.***

In order to ensure all revenues are raised and recovered and further that all ratepayers are being treated equitably, the municipality identified certain areas of concern and is busy implementing measures to address these problem areas.

Strategy
Maintain and improve on debt collection
Secure new sources of income
Counter the potential loss in electricity/water income as well as line-losses
Ensure an accurate and well maintained income database
Secure more external funding and government grants for soft services including long term funding for operating expenses
Monitor the financial health of the Municipality and cash-back all reserves

The following table is a summary of the 2016/17 MTREF (classified by main revenue source): (Excluding Capital Transfers)

NC085 Tsantsabane - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue By Source											
Property rates	2	10 546	24 108	24 345	26 000	26 000	26 000	–	27 950	30 354	34 194
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	37 525	37 404	40 883	50 607	44 307	44 307	–	45 768	57 391	66 243
Service charges - water revenue	2	21 790	17 757	18 153	28 518	24 260	24 260	–	23 939	27 876	31 866
Service charges - sanitation revenue	2	7 497	9 969	14 012	14 750	13 070	13 070	–	10 915	12 157	13 745
Service charges - refuse revenue	2	3 906	8 016	8 686	10 506	9 140	9 140	–	7 471	9 485	12 040
Service charges - other											
Rental of facilities and equipment		302	293	143	230	230	230		374	399	427
Interest earned - external investments		1 639	880	1 071	510	510	510		541	577	617
Interest earned - outstanding debtors							–				
Dividends received							–				
Fines		156	72	91	310	310	310		318	340	363
Licences and permits		821	263	211	383	383	383		493	526	563
Agency services		678	637		800	800	800		848	906	968
Transfers recognised - operational		48 879	29 306	47 610	30 997	33 697	33 697		35 713	37 632	40 354
Other revenue	2	41 992	37 019	12 749	7 844	781	781	–	10 051	11 682	13 266
Gains on disposal of PPE			29 000	15 395	37 800	15 000	15 000		48 500	40 798	33 613
Total Revenue (excluding capital transfers and contributions)		175 731	194 724	183 350	209 255	168 488	168 488	–	212 880	230 122	248 260

The growth in revenue contributions are indicated above (Excluding Capital Transfers). In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital

transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality, but measured against other municipalities e.g. the Northern Cape, the percentage is relatively low and is a clear indication of the level of unemployment in the municipal area. Rates and service charge revenues are constant at about 50 per cent of the total revenue mix over the MTREF period. In the 2016/17 financial year, revenue from rates and services charges totalled R116,043 million or 54,51 per cent.

This increases to an estimated R137,262 million (59,65%) in (2017/18) and R158,089 million (63,68%) in (2018/19) over the respective financial years of the MTREF. A notable trend is therefore the increase in the total percentage revenue generated from rates and services charges. This growth can be mainly attributed to the increased share that the sale of electricity and water contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Revenue foregone, (mainly to the indigent) is estimated to equal about 5.0 per cent of billable revenue (2016/17), placing a strain on revenue sources. Details in this regard are contained below.

NC085 Tsantsabane - Supporting Table SA1 Supportinging detail to 'Budgeted Financial Performance'

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
REVENUE ITEMS:											
Property rates	6										
Total Property Rates		10 546	24 108	24 345	26 500	26 500	26 500		28 488	30 879	34 744
less Revenue Foregone (exemptions, reductions and rebates and impermissable values in excess of section				–	500	500	500		538	525	550
Net Property Rates		10 546	24 108	24 345	26 000	26 000	26 000	–	27 950	30 354	34 194
Service charges - electricity revenue	6										
Total Service charges - electricity revenue		38 279	37 404	40 883	50 607	44 307	44 307		47 336	59 065	68 032
less Revenue Foregone (in excess of 50 kwh per indigent household per month)		754									
less Cost of Free Basis Services (50 kwh per indigent household per month)				–	–	–	–	–	1 568	1 674	1 790
Net Service charges - electricity revenue		37 525	37 404	40 883	50 607	44 307	44 307	–	45 768	57 391	66 243
Service charges - water revenue	6										
Total Service charges - water revenue		22 556	17 757	18 153	28 518	24 260	24 260		26 271	30 367	34 529
less Revenue Foregone (in excess of 6 kilolitres per indigent household per month)		766									
less Cost of Free Basis Services (6 kilolitres per indigent household per month)				–	–	–	–	–	2 332	2 491	2 662
Net Service charges - water revenue		21 790	17 757	18 153	28 518	24 260	24 260	–	23 939	27 876	31 866
Service charges - sanitation revenue											
Total Service charges - sanitation revenue		10 672	9 969	14 012	14 750	13 070	13 070		14 050	15 505	17 325
less Revenue Foregone (in excess of free sanitation service to indigent households)		3 175									
less Cost of Free Basis Services (free sanitation service to indigent households)				–	–	–	–	–	3 135	3 348	3 579
Net Service charges - sanitation revenue		7 497	9 969	14 012	14 750	13 070	13 070	–	10 915	12 157	13 745
Service charges - refuse revenue	6										
Total refuse removal revenue Total landfill revenue		6 666	8 016	8 686	10 506	9 140	9 140		9 825	11 999	14 728
less Revenue Foregone (in excess of one removal a week to indigent households)		2 760									
less Cost of Free Basis Services (removed once a week to indigent households)				–	–	–	–	–	2 354	2 514	2 688
Net Service charges - refuse revenue		3 906	8 016	8 686	10 506	9 140	9 140	–	7 471	9 485	12 040

Tariffs for indigent households are set out below:

1	Rates free of charge to the value based on market value of his property to the maximum of R30 000
2	50 kWh free electricity per month
3	6 kiloliters of water free per month
4	Free refuse x 4 removal per month
5	Free sewerage per month

Property rates is the 3rd largest revenue source, (excluding grants) and is source totalling 15.43 per cent or R26,0 million rand (2015/16) and increases to R27,950 million (13,13 per cent) by 2016/17. (Before revenue forgone).

A new valuation roll was implemented as from the 1st July 2013. The supplementary valuation roll will be implemented during 2016. Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

Operating grants and transfers totals R33,697 million in the 2015/16 financial year and increase to R35,713 million by 2016/17. The grants increase to R37,632 million in 2017/18 and R40,354 IN 2018/19.. Refer to table SA 18 under.

NC085 Tsantsabane - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		27 722	29 685	–	31 997	31 997	31 997	33 911	35 647	38 239
Local Government Equitable Share		25 422	26 145		28 192	28 192	28 192	30 151	32 515	35 639
Finance Management		1 500	1 650		1 875	1 875	1 875	2 010	2 345	2 600
Municipal Systems Improvement		800	890		930	930	930	750	787	–
EPWP Incentive			1 000		1 000	1 000	1 000	1 000		
Provincial Government:		14 926	621	–	1 845	1 700	1 700	1 802	1 985	2 115
Health subsidy		959	–							
Housing		13 470	–							
Library Development Grant		497	621		1 845	1 700	1 700	1 802	1 985	2 115
Total Operating Transfers and Grants	5	42 648	30 306	–	33 842	33 697	33 697	35 713	37 632	40 354
Capital Transfers and Grants										
National Government:		14 420	14 282	–	15 159	15 159	15 159	14 833	15 815	16 485
Municipal Infrastructure Grant (MIG)		14 420	14 282		15 159	15 159	15 159	14 833	15 815	16 485
Total Capital Transfers and Grants	5	14 420	14 282	–	15 159	15 159	15 159	14 833	15 815	16 485
TOTAL RECEIPTS OF TRANSFERS & GRANTS		57 068	44 588	–	49 001	48 856	48 856	50 546	53 447	56 839

Operating grants usually fluctuates upwards or downwards from year-to-year, as the revenue recognition for such grants depends only on compliance with any conditions attached to such grants and it is also dependant on the funding available from the other spheres of Government.

The unconditional Equitable Share Grant, however, is a grant growing annually according to a formula determined nationally and such formula is applicable to all local authorities on an equal basis.

Tariffs

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6.0 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of Eskom bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by an external agency, the impact it has on the municipality's electricity tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

The municipality budgets for the non-payment of accounts based on past experience of recovery rates. The municipality applies it Credit Control Policy but there are always situations where there are defaults on payment. Past experience indicates that contribution for bad debt over the revenue for rates, service charges and rent of facilities on credit percentage should not be more than 10 per cent, however, a cautionary approach is taken in this budget due to the signs of economic stress being experienced by the community.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to

residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA) Tsantsabane Municipality increase the value to R30 000;
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy to a maximum valuation of R30 000;
- The limit for indigent households is twice the amount of government social pensions.

The municipality investigates a tariff structure consistent with operational requirements but also to ensure that the ratepayers are not over-burdened.

The categories of rateable properties for purposes of levying rates and the proposed rates for the 2016/17 financial year will be based on a general 7.5 per cent increase from 1 July 2016. A new valuation roll was implemented as from 1 July 2013. Tsantsabane Municipality did a supplementary valuation roll that will be implemented during 2016. The supplementary valuation roll will increase the revenue (property rates).

The proposed tariffs for 2016/17 are as follows:

Residential Properties	R0.00618/R value
Business Properties	R0.00926/R value
Mining Properties	R0.02471/R value
Agricultural Properties	R0.000371/R value (1 : 0.06)

1.4.2 Sale of Water and Sanitation and the Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

The municipality obtains water from Sedibeng at a cost of ***R9.47/kl.*** (Vaal river water)(2015/16). The ground water tariff of R5.45/kl will be charge at a fixed rate of R9.47/kl. We have calculated the impact of ground water that will be charged at Vaal water tariffs and are as follows:

WATER SEDIBENG				
TARIFF				
2015/16				
GW	9.47			
VW	5.45			
Oct-14				
G/WATER				
63 727				
26 610				
9 135				
99 472	5.45	542 122.40		
	9.47	941 999.84		
			399 877.44	
V/WATER				
50 803				
32 000				
7283				
90 086	9.47	853 114.42		
		R 1 395 236.82	R 1 795 114.26	28.66%
SUMMARY				
Jul-14		R 476 928.58	R 637 993.90	
Aug-14		R 1 078 582.33	R 1 413 388.03	
Sep-14		R 1 155 767.26	R 1 460 861.14	
Oct-14		R 1 395 236.82	R 1 795 114.26	
		R 4 106 514.99	R 5 307 357.33	
Average increase			R 1 200 842.34	29.24%

Furthermore, the water tariffs to the consumers are not cost reflective and as such the tariffs will increase substantially from the 2016/17, 2017/18 and 2018/19 financial years. The proposed tariffs for the 2016/17 financial year are as follows:

4. WATER	**10.5%**			
4.1. ALL USERS		**2016/2017 Tariff**	**2015/16 Tariff**	**% Increase**
4.1.1 Water				
0 - 06 Kiloliter	(6 kl)	**11.17**	**10.11**	**10.50%**
07 - 12 Kiloliter	(6 kl)	**12.98**	**11.75**	**10.50%**
13 - 30 Kiloliter	(18 kl)	**15.20**	**13.76**	**10.50%**
31 and more		**20.79**	**18.81**	**10.50%**
4.1.2 Hospitals, Old Age Homes Schools and Hostels				
R 8.73	per kiloliter		**R 8.20**	**2015/16**

Currently, Tsantsabane municipality cannot determine what the water losses are. The municipality need urgently to measure the losses. The outstanding water account form Sediben amounts to more than R14 million and needs urgent attention. If the water losses are minimised, the monthly bill of Sediben will decrease substantially. The municipality needs to ring-fence the water supply and determine what the actual cost per kl should be. Tsantsabane Municipality need to make use of their own boreholes to minimize the usage of Sedibeng water. We need to be less dependent on Sedibeng water in 2016/17 financial year.

The municipality needs continuously to explore ways to limit the water losses to an acceptable level. There will always be water line losses due to burst pipes and as repairs thereof requires flushing of systems before being distributed again. However any losses above 13% is considered excessive by the Auditor-General's office and regarded as fruitless expenditure. The municipality will continue to monitor reasons for the excessive losses and to improve systems to limit the water losses to below 10%.

Sanitation fees

Similarly, the tariffs for sanitation are not cost reflective and may be subjected to significant increases. The proposed tariffs are listed below:

1. SEWERAGE	7.80%					
1.1. RESIDENTIAL AND ALL OTHER ERVEN NOT DESCRIBED BELOW						
		Area		2016/2017 Tariff	2015/16 Tariff	% Increase
	Residential	Alle erwe		R 208.96	R 193.84	7.80%
		Guest Houses		R 521.75	R 484.00	7.80%
#	Flats	Per Flat		R 208.96	R 193.84	7.80%
	Businesses	Alle besighede		R 521.75	R 484.00	7.80%
	Mall			R 7 695.84	R 7 139.00	7.80%

An additional amount of R193. 84 per unit will be levied on housholds with more than one living unit.

1.4.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. An 9,4 per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2016.

Considering the Eskom increases, the consumer tariff had to be increased by 7,8 per cent to offset the additional bulk purchase cost from 1 July 2016. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity. Registered indigents will again be granted 50 kWh per 30-day period free of charge.

ELECTRICITY TARIFFS & CHARGES

The approved tariffs will be included in the budget after NERSA approved the tariffs.

Electricity is regarded as a trading account which should make a profit, although NERSA monitors and limits this profit to about 10% if possible. The municipality does make a profit on electricity for the past year. (2013/14) According to the 2013/14 audited financial statements, the profit on the sale of electricity was R9 344 million.

The audited figures for the past three years are as follows:

Description	**2012/13**	**2013/14**	**2014/15**	**2015/16**
	R'000	**R'000**	**R'000**	**R'000**
Revenue	R38,648	R35,405	R38,238	R44,307
Expenditure	R26,192	R28,681	R37,968	R40,659
Surplus	R12,456	R 6,724	R 270	R 3,648
Surplus as % of rev.	32.23%	18.99%	0.71%	8,23%

The surplus on the electricity service is 32.23 per cent for 2012/13 and 18.99 per cent for 2013/14 and 0.71 per cent for the 2014/15 year.

Electricity line losses are not continuously monitored. It can represent a significant financial loss for the municipality. In general electricity line losses of 10% is being regarded as "acceptable" in the industry and Tsantsabane is well above that norm. Tsantsabane needs to take action and monitor the losses.

Comparison between current electricity charges and increases

It should further be noted that NERSA has advised that a stepped tariff structure must be used. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). A stepped tariff structure has been implemented as from 1 July 2013.

1.4.4 Waste Removal and Impact of Tariff Increases

Solid waste removal was operating at a surplus which indicates that the tariffs are cost reflective for 2012/13, 2013/14 and 2014/15. Refer to audited information under:

Refuse removal is running on a budgeted surplus of R239 378 for the 2015/16 budget.

The refuse revenue is not cash backed.

Description	**2012/13**	**2013/14**	**2014/15**
	R'000	**R'000**	**R'000**
Revenue	R6,666	R10,110	R8,686
Expenditure	R5,968	R 8,973	R7,384
Surplus/(Deficit)	R 0,697	R 1,137	R1,302

The projected surplus/loss on the service for 2016/17 are (R1.368) million, (R0.051) million for 2017/18 and R1,956 million 2018/19 over the MTREF period. It is widely accepted that the rendering of this service should at least break even, which is currently the case for the MTREF period.

The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to the expenditure are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration of officials. In addition, the cost of new landfill sites, the effect of depreciation and rehabilitation on these landfill sites all plays an important role in the projected losses or surpluses. *It is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation should be incorporated into the next planning cycle.*

The total expenditure on solid waste removal don't include all the cost that the mines are currently contributed towards the landfill site. When we calculate the cost-reflected tariff for solid waste removal, we need to add the cost that the mines are currently carried for the maintenance of the landfill site. We did budget for an additional amount of R2,2 million to maintain the landfill site. Tsantsabane need the correct equipment to maintain the landfill site.

A general 8,75 per cent increase in the waste removal tariff is proposed as from 1 July 2016. Higher increases will not be viable in 2016/17 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services. Any increase higher than 6 per cent would not only be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt, but also, although on a small scale, not assisting the national government in reaching the CPI target of between 3 and 6 per cent.

The following table compares current and proposed amounts payable from 1 July 2016:

Comparison between current waste removal fees and increases

2. REFUSE	8.75%			
2.1. RESIDENTIAL	8.75%			
2.1.1	**R 133.83**	per home per month	**R 123.06**	**2015/16**
2.1.1.a	**R 133.83**	per additional living unit		
2.1.2	100% Rebate for registered indigents			
2.2.3	An additional rebate of 20% for pensioners subject to the following conditions as included in the budget, to differentiate between different consumer categories:			
	1. Applicant must be 60 years or older;			
	2. The applicant is living and receives a consumer account in the dwelling for the rebate requested.			
	3. A total household income of less than R28,800.00 per year.			
2.2. BUSINESSES	8.75%			
2.2.1	**R 387.26**	per point per month	**R 356.10**	**2015/16**
2.2.2	**R 16 314.28**	per maand vir Mall	**R 15 537.41**	**2015/16**
2.3. INDUSTRIAL	8.75%			
2.3.1	**R 387.26**	per point per month	**356.10**	**2015/16**
2.4. RUBBISH BINS	8.75%			
2.4.1	**R 308.89**		**R 284.04**	**2015/16**

1.4.5 Overall impact of tariff increases on households

Note that in all instances the overall impact of the tariff increases on household's bills has been about 8,6%.

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2016/17 budget and MTREF is informed by the following:

- Guidance provided by National Treasury in Circular 66, 67, 70, 72, 74, 75, 78 and 79;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Limitation on tariff increases.

The following table is a high level summary of the 2016/17 budget and MTREF (classified per main type of operating expenditure):

NC085 Tsantsabane - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Expenditure By Type											
Employee related costs	2	43 299	46 655	53 668	63 744	63 880	63 880	–	74 730	79 812	85 319
Remuneration of councillors		2 603	3 831	2 944	3 071	3 071	3 071		3 205	3 423	3 659
Debt impairment	3	22 706	19 146	11 357	10 330	10 330	10 330		10 800	11 534	12 330
Depreciation & asset impairment	2	19 277	8 627	7 604	15 227	15 227	15 227	–	7 713	8 238	8 806
Finance charges		4 758	5 398	2 545	6 848	6 848	6 848		5 249	5 606	5 993
Bulk purchases	2	32 963	37 807	62 219	42 250	42 250	42 250	–	46 292	51 391	57 148
Other materials	8	2 156	3 499	3 891	8 894	8 894	8 894		9 989	10 649	11 379
Contracted services		–	–	–	–	–	–	–	–	–	–
Transfers and grants		–	–	–	–	–	–	–	–	–	–
Other expenditure	4, 5	22 513	25 297	36 466	53 637	57 323	57 323	–	54 841	59 361	63 471
Loss on disposal of PPE											
Total Expenditure		150 275	150 260	180 695	204 001	207 823	207 823	–	212 819	230 014	248 105

The budgeted allocation for employee related costs for the 2015/16 financial year totals R63,880 million, which equals 30,73 per cent of the total adjusted operating expenditure. This percentage increases to 35,11 per cent (2016/17) and 34,70 per cent (2017/18) and 34,39 per cent (2018/19) in the outer years of the MTREF period. Should debt impairment and depreciation be excluded, in order to compare it with other municipalities on an more equal basis, the costs represent 38,46 per cent (2016/17) of the expenditure and decrease to 37,96 per cent and decrease to 37,59 per cent in the outer years. Based on the guidance provided by National Treasury in Circular 58 and 67, salary increases have been factored into this budget at a percentage increase of 6,6 per cent for the 2016/17 financial year. An annual increase of 6.8 per cent (2017/18) and 7.0% (2018/19) has been included in the two outer years of the MTREF.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on the Debt Write-off Policy of the Municipality. For the 2016/17 financial year this amount equates to R10,799 million and escalates to R11,534 million by (2017/18) and R12,330 million by (2018/19). While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. Budget appropriations in this regard total R7,713 million for the 2016/17 financial year and equates to 3,62 per cent of the total operating expenditure. In order to measure it against other municipalities, if electricity bulk purchases are eliminated, it represents 4,27 per cent of the expenditure.

Finance charges consist primarily of the repayment of interest on long-term borrowing and finance/operating leases (cost of capital). Finance charges make up just more than 1 per cent of operating expenditure excluding annual redemption for 2016/17.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses. Electricity bulk purchases represents 15.2 per cent (2016/17) of expenditure and decrease to 15,18 per cent (2017/18) and 15.20 per cent (2018/19) in the outer years.

National Treasury is introducing a new Chart of Accounts and additional expenditure line-items in the budget. One of these line-items is “Other materials”. Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. This group of expenditure has been identified in order to measure sustainability of the Municipality’s infrastructure. The municipality’s financial systems are, however, not yet ready to implement this change and will be addressed in future budgets. However, we did budget for the implementation of mSCOA that need to be implemented by 30 June 2017.

Contracted services have been identified as a cost saving area for the Municipality. Management will in the budget year further investigate projects which can be used for contracted services as an extension of the Extended Public Works Program. As part of the process of identifying further cost efficiencies, a business process re-engineering project will commence in the 2016/17 financial year to identify alternative practices and procedures based on solid approved policies.

Other expenditure comprises of various line items relating to the daily operations of the municipality, but also operating grant expenditures. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. These expenditure items are listed below:

NC085 Tsantsabane - Supporting Table SA1 Supportinging detail to 'Budgeted Financial Performance'

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Other Expenditure By Type											
Collection costs											
Contributions to 'other' provisions									936	999	1 068
Consultant fees											
Audit fees		1 550	3 828	6 040	2 300	2 300	2 300		2 875	3 071	3 282
General expenses	3	7 985	858	15 126	23 574	26 792	26 792		32 942	35 257	37 788
Repair and maintenance		2 156	3 498	3 891	–	468	468				
Operating Grant Expenditure		2 931	3 434	5 306	10 100	10 100	10 100				
Advertising		256	257	239	333	333	333		–	–	–
Advertising and Tourism		11		–	611	611	611		998	1 066	1 139
Bank charges		680	350	341	457	457	457		478	510	545
Chemicals		153	384	498	695	695	695		805	859	919
Cleaning material		125	108	54		–	–				
Computer services and License fees		382	895	–	1 500	1 500	1 500		2 251	2 289	2 437
Entertainment cost		82	57	41	181	181	181		238	254	272
Fines		–	–	–		–	–				
Insurance		764	305	317	886	886	886		925	988	1 056
License fees- vehicles		1	–	–		–	–				
Local Economic development		181	–	–	517	517	517		540	1 373	1 393
Motor vehicle expences		1 251	1 989	3 135	1 858	1 858	1 858		2 168	2 316	2 475
Oil and Lubricants		–	–	–		–	–				
Postage		430	254	320	484	484	484		505	540	577
Printing and stationary		563	397	–	1 163	1 163	1 163		1 348	1 439	1 539
Professional and consultancy fees		333	6 919	–	3 150	3 150	3 150		2 508	2 679	2 863
Rental paid		415		–	100	100	100		105	112	119
ZFM District Contribution		–	–	–	1 118	1 118	1 118		1 168	1 248	1 334
Telephone cost		993	881	840	1 397	1 397	1 397		1 490	1 628	1 740
Valuation cost		692	–	–	300	300	300		314	335	358
Security service		221	–	–		–	–				
Service charges		358	–	–	1 061	1 061	1 061				
S&T Allowances		–	883	318	1 852	1 852	1 852		2 247	2 400	2 566
		–									
Total 'Other' Expenditure	1	22 513	25 297	36 466	53 637	57 323	57 323	–	54 841	59 361	63 471

Repairs and Maintenance by Expenditure Item	8										
Employee related costs											
Other materials		–	–								
Contracted Services											
Other Expenditure		1 675	2 156	3 891	8 894	9 362	9 362		9 989	10 649	11 379
Total Repairs and Maintenance Expenditure	9	1 675	2 156	3 891	8 894	9 362	9 362	–	9 989	10 649	11 379

Main operational expenditure categories for the 2016/17 financial year

1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2016/17 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset management policy. Council needs to adopt a repairs and maintenance plan for the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver

but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services.

Considering these cost drivers, National Treasury requires municipalities to adapt their costing systems to reflect these costs as Repairs and Maintenance. The municipality financial systems, as yet, cannot provide for this request and it will be implemented with mSCOA.

During the compilation of the 2016/17 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance. To this end, the municipality identified this, together with other strategic items, as priority to be investigated and changes to be incorporated into the next budget, if not already to the 2015/16 Adjustments Budget. The table below provides a breakdown of the repairs and maintenance in relation to departments:

Repairs and maintenance per department

REPAIRS AND MAINTANANCE: 2016/17 - 2018/19			
Department	R & M 2016/17	R & M 2017/18	R & M 2018/19
RATES AND GENERAL	0	0	0
CEMETARY	7 420	7 490	8 472
LIBRARY	107 860	115 194	123 142
FIRE FIGHTING	67 840	72 453	77 453
COMMONAGE	10 600	11 321	12 102
CARAVAN PARK	110 240	117 736	125 860
MUNICIPAL BUILDINGS AND PROPERTY	461 100	492 455	526 434
PARKS AND RECREATION	222 600	237 736	254 140
HEALTH DEPARTMENT	530	566	605
PUBLIC WORKS AND STREETS	969 900	1 035 854	1 107 328
SEWERAGE PLANT - POSTMASBURG	1 839 100	1 964 159	2 099 686
SECURITY	0	0	0
TOWN PLANNING	90 100	96 227	102 867
MAYORAL OFFICE	0	0	0
CORPORATE SERVICES	322 240	324 596	342 523
HUMAN RESOURCES	0	0	0
MUNICIPAL MANAGER	540 600	577 360	617 199
COUNCIL GENERAL	0	0	0
FINANCIAL DEPARTMENT	125 080	133 585	142 803
SWIMMING POOL	156 350	166 981	178 502
RETICULATION NETWORK	346 620	370 190	395 733
TRAFFIC	191 860	204 907	219 046
REFUSE - POSTMASBURG	413 400	441 511	471 975
WORKSHOP	215 180	229 812	245 669
ELECTRICITY - POSTMASBURG	1 878 320	2 006 046	2 144 462
WATER - POSTMASBURG	1 802 000	1 924 537	2 057 330
HOUSING	0	0	0
TECHNICAL PMU UNIT	110 000	117 480	125 586
TOTAL EXPENDITURE	9 988 940	10 648 196	11 378 917

Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register all indigent households during the 2016/17 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained below.

The cost of the social package of the registered indigent households is financed by the municipality self and largely by utilising the municipality's unconditional equitable share, allocated in terms of the Constitution to local government, and received in terms of the annual Division of Revenue Act. The indigent subsidy as a result of free basic services totals R9,389 million (2016/17) in the budget year and increasing to R10,027 million and R10,719 million in the outer years.

Tsantsabane MunicipalityFree Basic Services	2016/17 Medium Term Revenue & Expenditure Framework		
	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
ELECTRICITY			
Cost Electricity	1 568 000	1 674 000	1 790 000
Indigent Consumers	2 479	2 541	2 617
	1 568 000	1 674 000	1 790 000
WATER			
Cost Water	2 332 000	2 491 000	2 662 000
Indigent Consumers	2 479	2 541	2 617
	2 332 000	2 491 000	2 662 000
SANITATION			
Cost Sanitation	3 135 000	3 348 000	3 579 000
Indigent Consumers	2 479	2 541	2 617
	3 135 000	3 348 000	3 579 000
REFUES REMOVAL			
Cost Refues Removal	2 354 000	2 514 000	2 688 000
Indigent Consumers	2 479	2 541	2 617
	2 354 000	2 514 000	2 688 000
	9 389 000	10 027 000	10 719 000

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote for the 2015/16 financial year:

2016/17 Medium-term capital budget per vote

TSANTSABANE MUNICIPALITY:CAPITAL EXPENDITURE PER DEPARTMENT 2016/17 - 2018/19			
Department	Capital 2016/17	Capital 2017/18	Capital 2018/19
RATES AND GENERAL	0	0	0
CEMETARY	0	0	0
LIBRARY	81 000	69 500	81 350
FIRE FIGHTING	0	0	0
COMMONAGE	0	0	0
CARAVAN PARK	0	0	0
MUNICIPAL BUILDINGS AND PROPERTY	27 000	36 000	26 400
PARKS AND RECREATION	0	0	0
HEALTH DEPARTMENT	0	0	0
PUBLIC WORKS AND STREETS	14 833 000	15 815 000	16 485 000
SEWERAGE PLANT - POSTMASBURG	0	0	0
SECURITY	0	0	0
POUND	0	0	0
MAYORAL OFFICE	106 000	0	0
CORPORATE SERVICES	1 099 400	534 000	562 000
HUMAN RESOURCES	286 000	0	0
MUNICIPAL MANAGER	219 800	70 000	73 000
COUNCIL GENERAL	950 000	4 000 000	10 000 000
FINANCIAL DEPARTMENT	166 000	0	0
SWIMMING POOL	0	0	0
RETICULATION NETWORK	0	0	0
TRAFFIC	450 000	1 547 000	1 234 700
REFUSE - POSTMASBURG	0	0	0
WORKSHOP	0	0	0
ELECTRICITY - POSTMASBURG	0	0	0
WATER - POSTMASBURG	0	0	0
HOUSING	0	0	0
TOTAL EXPENDITURE	18 218 200	22 071 500	28 462 450

Tsantsabane Municipality experience cash flow problems and the allocation to the capital program is totally insufficient for all the expansions' that needs to take place. The second phase of the sewer treatment plant needs to be upgraded. The old infrastructure (asbestos pipes) needs to be replaced. The water storage capacity needs to be upgraded. Additional water sources needs to explore. The main roads need to be upgraded. Office space is a serious problem and additional offices need to be erected.

The SDF (special development framework) are in the process to be reviewed to determine where to develop. Land must be made available to developers and individuals for housing and businesses. Bulk services needs to be upgraded to accommodate all the developments. The bulk services fees increase from **R55 500.00** per stand to **R58 500.00** per stand. Council must not allow any development to take place if there is no service level agreement in place.

The allocation to roads amounts to R47,133 million over the MTREF, of which R14,833 million is allocated to the 2016/17 financial year, R15,815 million for the 2017/18 and R16,485 million to the 2018/19 year.

The municipality is experiencing difficulties with regards to the landfill site. The landfill site is not register and the property belongs to the National Government. The municipality needs to engage with the Provincial Government to transfer the property to the Municipality and licence the landfill site. This not only leaves the municipality with harming the environment, but also the prospect of incurring huge fines and is it necessary to ensure the municipality complies with all requirements. There is no budget provides for the MTREF to establishment a new landfill site.

Kolomela and Assmang helped the municipality with the operating of the landfill site. An amount of R2,2 million was budgeted for the maintenance of the landfill site. The municipality need proper equipment (front-end-loader) and personnel to operate the landfill site.

1.6.1 Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been included in Table SA35.

NC085 Tsantsabane - Supporting Table SA35 Future financial implications of the capital budget

Vote Description	Ref	2016/17 Medium Term Revenue & Expenditure Framework			Forecasts			
R thousand		Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Present value
Capital expenditure	1							
Vote 1 - Executive & Council		1 276	4 070	10 073	3 800	1 750	2 250	
Vote 2 - Budget & Treasury		166	–	–	1 150			
Vote 3 - Corporate Services		1 412	570	588	1 250	1 250		
Vote 4 - Community & Social Services		81	70	81	3 000	7 000	5 000	
Vote 5 - Sport & Recreation		–	–	–				
Vote 6 - Public Safety		450	1 547	1 235				
Vote 7 - Road Transport		14 833	15 815	16 485	17 721	19 140	21 052	
Vote 8 - Electricity		–	–	–	12 500	15 800	20 000	
Vote 9 - Water		–	–	–	6 000	6 000	15 000	
Vote 10 - Waste Water Management		–	–	–	3 500	15 500	45 000	
Vote 11 - Waste Management		–	–	–	2 500	7 500	12 000	
Vote 12 - Housing		–	–	–	3 000	18 000	24 000	
Vote 13 - Planning & Development		–	–	–	1 000	1 100	4 000	
Total Capital Expenditure		18 218	22 072	28 462	55 421	93 040	148 302	–
Future operational costs by vote	2							
Vote 1 - Executive & Council		364	441	569	1 108	1 861	2 966	
Vote 2 - Budget & Treasury		547	662	854	1 663	2 791	4 449	
Vote 3 - Corporate Services					350	350	350	
Vote 7 - Road Transport		1 184	1 435	1 850	3 602	6 048	9 640	
Vote 8 - Electricity					563	711	900	
Vote 9 - Water					330	330	825	
Vote 10 - Waste Water Management					193	853	2 475	
Vote 11 - Waste Management					138	413	660	
Total future operational costs		2 095	2 538	3 273	7 946	13 356	22 265	–
Future revenue by source	3							
Service charges - electricity revenue					14 063	17 775	22 500	
Service charges - water revenue					6 750	6 750	16 875	
Service charges - sanitation revenue					3 938	17 438	50 625	
Service charges - refuse revenue					2 813	8 438	13 500	
Total future revenue		–	–	–	27 563	50 400	103 500	–
Net Financial Implications		20 313	24 610	31 736	35 804	55 996	67 067	–

1.7 Annual Budget Tables

(The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2016/17 budget and MTREF to be approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.)

Table A1 - Budgeted Summary

NC085 Tsantsabane - Table A1 Budget Summary

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Financial Performance										
Property rates	10 546	24 108	24 345	26 000	26 000	26 000	–	27 950	30 354	34 194
Service charges	70 718	73 146	81 734	104 381	90 777	90 777	–	88 093	106 908	123 895
Investment revenue	1 639	880	1 071	510	510	510	–	541	577	617
Transfers recognised - operational	48 879	29 306	47 610	30 997	33 697	33 697	–	35 713	37 632	40 354
Other own revenue	43 949	67 284	28 591	47 367	17 504	17 504	–	60 584	54 650	49 200
Total Revenue (excluding capital transfers and contributions)	175 731	194 724	183 350	209 255	168 488	168 488	–	212 880	230 122	248 260
Employee costs	43 299	46 655	53 668	63 744	63 880	63 880	–	74 730	79 812	85 319
Remuneration of councillors	2 603	3 831	2 944	3 071	3 071	3 071	–	3 205	3 423	3 659
Depreciation & asset impairment	19 277	8 627	7 604	15 227	15 227	15 227	–	7 713	8 238	8 806
Finance charges	4 758	5 398	2 545	6 848	6 848	6 848	–	5 249	5 606	5 993
Materials and bulk purchases	35 119	41 306	66 110	51 144	51 144	51 144	–	56 281	62 039	68 527
Transfers and grants	–	–	–	–	–	–	–	–	–	–
Other expenditure	45 219	44 443	47 824	63 967	67 653	67 653	–	65 641	70 896	75 801
Total Expenditure	150 275	150 260	180 695	204 001	207 823	207 823	–	212 819	230 014	248 105
Surplus/(Deficit)	25 456	44 464	2 655	5 254	(39 335)	(39 335)	–	62	109	156
Contributions recognised - capital & contributed a	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	25 456	44 464	2 655	5 254	(39 335)	(39 335)	–	62	109	156
Surplus/(Deficit) for the year	25 456	44 464	2 655	5 254	(39 335)	(39 335)	–	62	109	156
Capital expenditure & funds sources										
Capital expenditure	52 898	23 532	39 556	33 150	26 517	26 517	–	18 218	22 072	28 462
Transfers recognised - capital	14 480	–	38 296	18 240	15 159	15 159	–	14 833	15 815	16 485
Borrowing	–	–	–	10 500	–	–	–	–	–	–
Internally generated funds	38 418	23 532	1 260	4 410	11 358	11 358	–	3 385	6 257	11 977
Total sources of capital funds	52 898	23 532	39 556	33 150	26 517	26 517	–	18 218	22 072	28 462
Financial position										
Total current assets	37 935	55 457	69 579	64 000	69 580	69 580	–	27 098	35 439	41 055
Total non current assets	833 926	848 026	875 716	782 570	957 557	957 557	–	953 903	953 903	953 903
Total current liabilities	83 268	90 712	105 507	39 680	105 507	105 507	–	55 300	45 000	41 500
Total non current liabilities	25 411	22 704	24 462	14 450	24 462	24 462	–	8 038	8 038	8 038
Community wealth/Equity	763 182	790 067	815 326	792 440	897 168	897 168	–	917 663	936 304	945 420
Cash flows										
Net cash from (used) operating	22 905	(13 364)	30 125	8 170	(13 619)	(13 619)	–	(15 092)	6 579	17 430
Net cash from (used) investing	(16 005)	(10 082)	(23 901)	20 566	(2 234)	(2 234)	–	48 500	40 798	33 613
Net cash from (used) financing	(7 794)	6 920	17 942	10 609	10 609	10 609	–	300	300	300
Cash/cash equivalents at the year end	(12 894)	(29 419)	(5 254)	34 091	28 847	28 847	–	31 408	79 085	130 428
Cash backing/surplus reconciliation										
Cash and investments available	11 654	(4 681)	9 732	22 000	9 732	9 732	–	12 000	18 000	21 000
Application of cash and investments	52 195	28 371	49 525	(7 050)	40 809	40 809	–	37 702	23 213	16 413
Balance - surplus (shortfall)	(40 541)	(33 052)	(39 793)	29 050	(31 077)	(31 077)	–	(25 702)	(5 213)	4 587
Asset management										
Asset register summary (WDV)	6 974	6 438	6 813	12 570	3 654	3 654	–	–	–	–
Depreciation & asset impairment	19 277	8 627	7 604	15 227	15 227	15 227	7 713	7 713	8 238	8 806
Renewal of Existing Assets	5 500	–	–	33 150	26 517	26 517	26 517	18 218	22 072	28 462
Repairs and Maintenance	1 675	2 156	3 891	8 894	9 362	9 362	9 989	9 989	10 649	11 379
Free services										
Cost of Free Basic Services provided	–	–	–	–	–	–	9 389	9 389	19 416	20 746
Revenue cost of free services provided	8 685	1 404	–	3 579	3 579	3 579	3 079	3 079	3 617	3 604

Explanatory notes to Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding

compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.

a. Financial management reforms emphasises the importance of the municipal budget being funded. The current budget (2016/17) is not fully funded as required by National Treasury. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard. The operating surplus/deficit (after Total Expenditure) is negative over the MTREF.

b. Capital expenditure should be balanced by capital funding sources. The CRR (capital replacement reserve) should be cash backed. Currently there are no funds in the CRR.

3. The cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently none of its obligations are cash-backed.

MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

NC085 Tsantsabane - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue - Standard										
Governance and administration		64 553	79 294	71 483	99 295	72 531	72 531	110 134	107 573	107 725
Executive and council		30	202	13	37 800	15 000	15 000	48 500	40 798	33 613
Budget and treasury office		53 821	51 433	46 238	35 485	31 521	31 521	33 674	36 410	39 906
Corporate services		10 702	27 659	25 233	26 010	26 010	26 010	27 960	30 365	34 205
Community and public safety		2 525	8 414	2 476	1 834	2 335	2 335	2 467	2 693	2 868
Community and social services		882	673	2 304	1 358	1 973	1 973	2 079	2 281	2 431
Sport and recreation		90	12	171	476	226	226	244	260	278
Public safety		–	–	–	–	–	–	–	–	–
Housing		707	7 729	–	–	136	136	144	151	159
Health		846	–	–	–	–	–	–	–	–
Economic and environmental services		37 935	25 426	27 298	3 745	2 845	2 845	2 799	2 921	3 054
Planning and development		241	280	–	–	–	–	–	–	–
Road transport		37 694	25 146	27 298	3 745	2 845	2 845	2 799	2 921	3 054
Environmental protection		–	–	–	–	–	–	–	–	–
Trading services		70 718	81 590	82 093	104 381	90 777	90 777	97 481	116 935	134 614
Electricity		37 767	38 142	40 883	50 607	44 307	44 307	47 336	59 065	68 032
Water		21 653	18 981	18 153	28 518	24 260	24 260	26 271	30 367	34 529
Waste water management		7 392	13 468	14 372	14 750	13 070	13 070	14 050	15 505	17 325
Waste management		3 906	10 999	8 686	10 506	9 140	9 140	9 825	11 999	14 728
Other	4	–	–	–	–	–	–	–	–	–
Total Revenue - Standard	2	175 731	194 724	183 350	209 255	168 488	168 488	212 880	230 122	248 260
Expenditure - Standard										
Governance and administration		71 018	58 989	44 991	66 086	69 345	69 345	66 080	71 367	76 306
Executive and council		8 536	20 820	10 609	17 104	17 240	17 240	17 744	18 951	20 259
Budget and treasury office		53 994	30 978	24 859	30 756	33 419	33 419	32 902	35 273	37 810
Corporate services		8 488	7 191	9 523	18 226	18 686	18 686	15 433	17 143	18 238
Community and public safety		13 640	13 487	20 327	24 887	25 638	25 638	30 262	32 474	34 709
Community and social services		3 767	3 551	9 607	9 849	10 464	10 464	10 393	11 160	11 923
Sport and recreation		4 075	4 706	6 289	7 918	7 918	7 918	8 799	9 397	10 045
Public safety		3 000	3 657	1 687	5 525	5 525	5 525	8 970	9 580	10 242
Housing		1 950	845	2 196	1 035	1 171	1 171	1 257	1 343	1 435
Health		848	728	549	560	560	560	844	995	1 063
Economic and environmental services		(7 232)	13 481	10 624	16 793	16 793	16 793	20 464	21 680	23 176
Planning and development		2 616	–	–	–	–	–	1 774	1 895	2 026
Road transport		(9 848)	13 481	10 624	16 793	16 793	16 793	18 689	19 785	21 150
Environmental protection		–	–	–	–	–	–	–	–	–
Trading services		72 849	64 303	104 753	96 234	96 047	96 047	96 012	104 492	113 913
Electricity		29 434	28 798	40 612	40 659	40 659	40 659	42 620	45 906	49 458
Water		26 237	13 007	41 697	27 690	27 690	27 690	26 767	30 149	34 057
Waste water management		13 311	13 296	15 060	17 618	16 819	16 819	15 438	16 488	17 626
Waste management		3 869	9 202	7 384	10 267	10 879	10 879	11 187	11 948	12 772
Other	4	–	–	–	–	–	–	–	–	–
Total Expenditure - Standard	3	150 275	150 260	180 695	204 001	207 823	207 823	212 819	230 014	248 105
Surplus/(Deficit) for the year		25 456	44 464	2 655	5 254	(39 335)	(39 335)	62	109	156

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms if each of these functional areas which enables the National Treasury to compile 'whole of government' reports.

2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.

3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the not the case for any of the trading services. As already noted above, the municipality will be undertaking a detailed study of these functions to explore ways of improving efficiencies and provide a basis for re-evaluating these functions' tariff structures.

4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources.

MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

NC085 Tsantsabane - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue by Vote	1									
Vote 1 - Executive & Council		30	–	13	37 800	15 000	15 000	48 500	40 798	33 613
Vote 2 - Budget & Treasury		81 843	82 784	79 250	61 485	57 521	57 521	61 624	66 764	74 100
Vote 3 - Corporate Services		397	3 741	1 227	228	228	228	241	257	275
Vote 4 - Community & Social Services		821	673	1 963	1 128	1 743	1 743	1 848	2 034	2 167
Vote 5 - Sport & Recreation		151	12	171	476	226	226	231	247	264
Vote 6 - Public Safety		1 666	946	177	1 565	1 565	1 565	1 659	1 772	1 894
Vote 7 - Road Transport		18 310	24 200	18 455	2 180	1 280	1 280	1 140	1 150	1 160
Vote 8 - Electricity		37 824	35 522	40 883	50 607	44 307	44 307	47 336	59 065	68 032
Vote 9 - Water		21 796	17 004	18 153	28 518	24 260	24 260	26 271	30 367	34 529
Vote 10 - Waste Water Management		7 435	12 432	14 372	14 750	13 070	13 070	14 050	15 505	17 325
Vote 11 - Waste Management		3 905	10 110	8 686	10 506	9 140	9 140	9 825	11 999	14 728
Vote 12 - Housing		708	7 300	0	–	136	136	145	152	159
Vote 13 - Planning & Development		–	–	–	12	12	12	12	13	14
Vote 14 - Health		847	–	–	–	–	–	–	–	–
Vote 15 - Other		–	–	2	–	–	–	–	–	–
Total Revenue by Vote	2	175 731	194 724	183 350	209 255	168 488	168 488	212 880	230 122	248 260
Expenditure by Vote *to be appropriated*	1									
Vote 1 - Executive & Council		8 535	20 819	10 609	17 104	17 240	17 240	17 744	18 951	20 259
Vote 2 - Budget & Treasury		19 602	31 125	25 876	33 256	35 919	35 919	35 402	37 943	40 664
Vote 3 - Corporate Services		8 118	7 191	8 208	14 269	15 419	15 419	15 588	17 309	18 414
Vote 4 - Community & Social Services		3 741	3 542	4 458	6 733	7 349	7 349	7 738	8 325	8 892
Vote 5 - Sport & Recreation		4 101	4 714	6 289	7 918	7 918	7 918	8 799	9 397	10 045
Vote 6 - Public Safety		3 888	3 519	4 387	6 279	6 279	6 279	7 432	7 937	8 485
Vote 7 - Road Transport		24 651	11 304	10 637	12 487	13 647	13 647	13 816	14 581	15 587
Vote 8 - Electricity		29 434	28 798	40 612	40 659	40 659	40 659	42 620	45 906	49 458
Vote 9 - Water		26 237	13 007	41 697	27 690	27 690	27 690	26 767	30 149	34 057
Vote 10 - Waste Water Management		13 312	13 151	15 060	17 618	16 818	16 818	15 438	16 488	17 626
Vote 11 - Waste Management		3 869	9 202	7 384	10 267	10 879	10 879	11 187	11 948	12 772
Vote 12 - Housing		1 949	845	2 196	1 035	1 171	1 171	1 257	1 343	1 435
Vote 13 - Planning & Development		–	–	0	4 361	2 510	2 510	4 292	4 584	4 900
Vote 14 - Health		847	728	549	560	560	560	844	995	1 063
Vote 15 - Other		1 992	2 315	2 734	3 765	3 765	3 765	3 894	4 159	4 446
Total Expenditure by Vote	2	150 275	150 260	180 695	204 001	207 823	207 823	212 819	230 014	248 105
Surplus/(Deficit) for the year	2	25 456	44 464	2 655	5 254	(39 335)	(39 335)	62	109	156

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.

2. This table is the main driver of management- responsibility and performance in terms of the operating budget and also the benchmark against which any unauthorised expenditure will be measured.

MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

NC085 Tsantsabane - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue By Source											
Property rates	2	10 546	24 108	24 345	26 000	26 000	26 000	–	27 950	30 354	34 194
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	37 525	37 404	40 883	50 607	44 307	44 307	–	45 768	57 391	66 243
Service charges - water revenue	2	21 790	17 757	18 153	28 518	24 260	24 260	–	23 939	27 876	31 866
Service charges - sanitation revenue	2	7 497	9 969	14 012	14 750	13 070	13 070	–	10 915	12 157	13 745
Service charges - refuse revenue	2	3 906	8 016	8 686	10 506	9 140	9 140	–	7 471	9 485	12 040
Service charges - other											
Rental of facilities and equipment		302	293	143	230	230	230		374	399	427
Interest earned - external investments		1 639	880	1 071	510	510	510		541	577	617
Interest earned - outstanding debtors							–				
Dividends received							–				
Fines		156	72	91	310	310	310		318	340	363
Licences and permits		821	263	211	383	383	383		493	526	563
Agency services		678	637		800	800	800		848	906	968
Transfers recognised - operational		48 879	29 306	47 610	30 997	33 697	33 697		35 713	37 632	40 354
Other revenue	2	41 992	37 019	12 749	7 844	781	781	–	10 051	11 682	13 266
Gains on disposal of PPE			29 000	15 395	37 800	15 000	15 000		48 500	40 798	33 613
Total Revenue (excluding capital transfers and contributions)		175 731	194 724	183 350	209 255	168 488	168 488	–	212 880	230 122	248 260
Expenditure By Type											
Employee related costs	2	43 299	46 655	53 668	63 744	63 880	63 880	–	74 730	79 812	85 319
Remuneration of councillors		2 603	3 831	2 944	3 071	3 071	3 071		3 205	3 423	3 659
Debt impairment	3	22 706	19 146	11 357	10 330	10 330	10 330		10 800	11 534	12 330
Depreciation & asset impairment	2	19 277	8 627	7 604	15 227	15 227	15 227	–	7 713	8 238	8 806
Finance charges		4 758	5 398	2 545	6 848	6 848	6 848		5 249	5 606	5 993
Bulk purchases	2	32 963	37 807	62 219	42 250	42 250	42 250	–	46 292	51 391	57 148
Other materials	8	2 156	3 499	3 891	8 894	8 894	8 894		9 989	10 649	11 379
Contracted services		–	–	–	–	–	–	–	–	–	–
Transfers and grants		–	–	–	–	–	–	–	–	–	–
Other expenditure	4, 5	22 513	25 297	36 466	53 637	57 323	57 323	–	54 841	59 361	63 471
Loss on disposal of PPE											
Total Expenditure		150 275	150 260	180 695	204 001	207 823	207 823	–	212 819	230 014	248 105
Surplus/(Deficit)		25 456	44 464	2 655	5 254	(39 335)	(39 335)	–	62	109	156
Transfers recognised - capital											
Contributions recognised - capital	6	–	–	–	–	–	–	–	–	–	–
Contributed assets											
Surplus/(Deficit) after capital transfers & contributions		25 456	44 464	2 655	5 254	(39 335)	(39 335)	–	62	109	156
Taxation											
Surplus/(Deficit) after taxation		25 456	44 464	2 655	5 254	(39 335)	(39 335)	–	62	109	156
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		25 456	44 464	2 655	5 254	(39 335)	(39 335)	–	62	109	156
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		25 456	44 464	2 655	5 254	(39 335)	(39 335)	–	62	109	156

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue, excluding capital transfers, is R212,880 million in 2016/17 and escalates to R230,014 million by 2017/18 and R248,105 million in 2018/19. This represents a year-on-

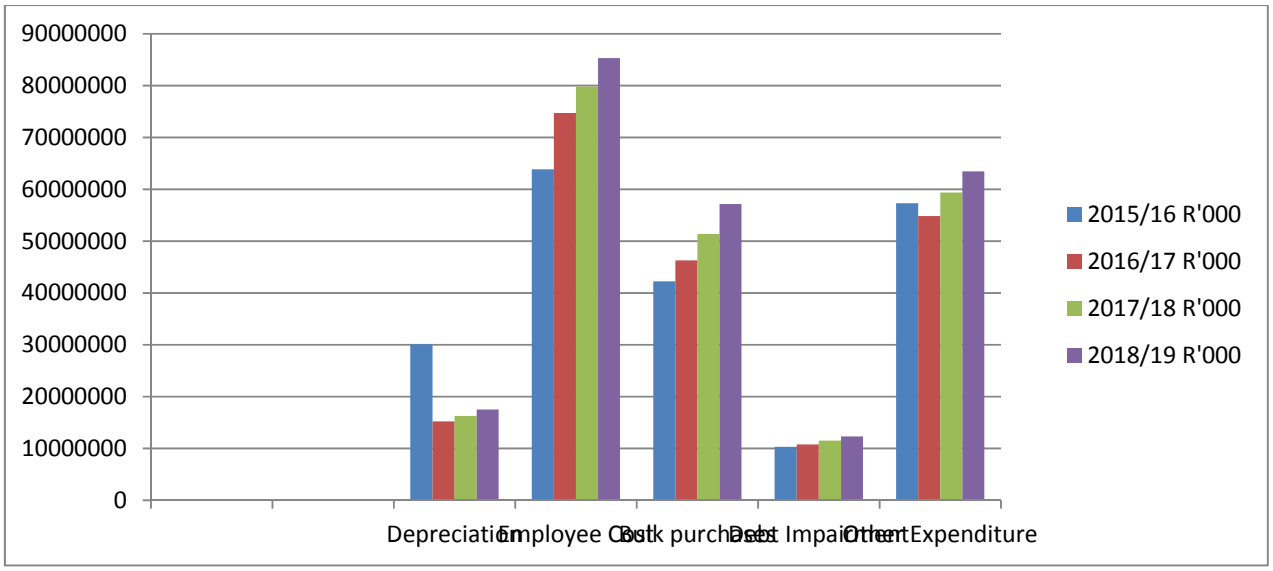
year increase of 2,40 per cent for the 2016/17 and year-on-year increases of 8,08 per cent for the 2017/18 financial year and 7,87 per cent for the 2018/19 financial year.

2. Revenue to be generated from property rates is R27,950 million in the 2016/17 financial year and increases to R30,354 million by 2017/18 and R34,194 million in the 2018/19 financial year. Revenue generated from property rates represents only 13,13 per cent (2016/17) of the operating revenue base of the Municipality. It remains relatively constant over the medium-term of the respective financial years of the MTREF.

3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R88,093 million for the 2016/17 financial year and increasing to R106,908 million by 2017/18 and R123,895 million in 2018/19. For the 2016/17 financial year services charges amount to 41,38 per cent of the total revenue base and stays relatively constant over the MTREF period.

4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. Transfers are fluctuating according to grants provided for by the respective governments.

5. The following graph illustrates the major expenditure items per type:



Expenditure by major type

6. Bulk purchases have significantly increased over the 2008/09 to 2016/17 period escalating from R9,8 million to R46,292 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom.

7. Employee related costs, depreciation, operating grant expenditure and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

NC085 Tsantsabane - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Capital expenditure - Vote											
Multi-year expenditure *to be appropriated*	2										
Vote 1 - Executive & Council		15	–	–	–	–	–	–	950	4 000	10 000
Vote 2 - Budget & Treasury		1 350	–	–	–	–	–	–	–	–	–
Vote 3 - Corporate Services		886	–	–	–	–	–	–	–	–	–
Vote 4 - Community & Social Services		62	–	–	–	–	–	–	–	–	–
Vote 5 - Sport & Recreation		98	–	–	–	–	–	–	–	–	–
Vote 6 - Public Safety		120	–	–	–	–	–	–	–	–	–
Vote 7 - Road Transport		22 420	16 341	38 037	18 159	25 159	25 159	–	14 833	15 815	16 485
Vote 8 - Electricity		2 500	1 602	–	–	–	–	–	–	–	–
Vote 9 - Water		6 200	795	–	8 000	–	–	–	–	–	–
Vote 10 - Waste Water Management		8 500	4 588	–	–	–	–	–	–	–	–
Vote 11 - Waste Management		5 420	–	–	–	–	–	–	–	–	–
Vote 12 - Housing		–	–	–	2 500	–	–	–	–	–	–
Vote 13 - Planning & Development		–	–	–	–	–	–	–	–	–	–
Vote 14 - Health		–	–	–	–	–	–	–	–	–	–
Vote 15 - Other		400	–	–	–	–	–	–	–	–	–
Capital multi-year expenditure sub-total	7	47 971	23 326	38 037	28 659	25 159	25 159	–	15 783	19 815	26 485
Single-year expenditure *to be appropriated*	2										
Vote 1 - Executive & Council		827	89	168	573	24	24	–	326	70	73
Vote 2 - Budget & Treasury		152	62	1 092	1 456	790	790	–	166	–	–
Vote 3 - Corporate Services		75	–	–	1 544	500	500	–	1 412	570	588
Vote 4 - Community & Social Services		841	37	–	131	24	24	–	81	70	81
Vote 5 - Sport & Recreation		1 000	–	–	115	20	20	–	–	–	–
Vote 6 - Public Safety		137	18	–	592	–	–	–	450	1 547	1 235
Vote 7 - Road Transport		1 750	–	–	–	–	–	–	–	–	–
Vote 8 - Electricity		–	–	–	–	–	–	–	–	–	–
Vote 9 - Water		30	–	–	–	–	–	–	–	–	–
Vote 10 - Waste Water Management		–	–	–	–	–	–	–	–	–	–
Vote 11 - Waste Management		100	–	–	80	–	–	–	–	–	–
Vote 12 - Housing		–	–	–	–	–	–	–	–	–	–
Vote 13 - Planning & Development		–	–	–	–	–	–	–	–	–	–
Vote 14 - Health		–	–	–	–	–	–	–	–	–	–
Vote 15 - Other		15	–	–	–	–	–	–	–	–	–
Capital single-year expenditure sub-total		4 927	206	1 259	4 491	1 358	1 358	–	2 435	2 257	1 977
Total Capital Expenditure - Vote		52 898	23 532	39 296	33 150	26 517	26 517	–	18 218	22 072	28 462

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2016/17 R18,218 million has been allocated of the total R68,662 million capital budget. This allocation increase to R22,072 million in 2017/18 and then to R28,462 million in 2018/19.

3. Single-year capital expenditure has been appropriated at R2,435 million for the 2016/17 financial year and remains relatively constant over the MTREF at levels of R2,257 million and R1,977 million respectively for the two outer years.

4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.

5. The capital program is funded from national grants and transfers and internally generated funds from current and prior year surpluses and is listed above.

MBRR Table A6 - Budgeted Financial Position

NC085 Tsantsabane - Table A6 Budgeted Financial Position

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
ASSETS											
Current assets											
Cash				10 372		10 372	10 372				
Call investment deposits	1	23 664	13 912	–	32 000	–	–	–	12 000	18 000	21 000
Consumer debtors	1	13 696	39 398	4 131	32 000	4 131	4 131	–	15 098	17 439	20 055
Other debtors				54 211		54 211	54 211				
Current portion of long-term receivables											
Inventory	2	575	2 147	865		865	865				
Total current assets		37 935	55 457	69 579	64 000	69 580	69 580	–	27 098	35 439	41 055
Non current assets											
Long-term receivables											
Investments											
Investment property		6 221	6 087	3 303	12 500	3 303	3 303				
Investment in Associate											
Property, plant and equipment	3	826 902	841 513	868 903	770 000	953 903	953 903	–	953 903	953 903	953 903
Agricultural											
Biological											
Intangible		753	351	3 510	70	351	351				
Other non-current assets		50	75								
Total non current assets		833 926	848 026	875 716	782 570	957 557	957 557	–	953 903	953 903	953 903
TOTAL ASSETS		871 861	903 483	945 295	846 570	1 027 137	1 027 137	–	981 001	989 342	994 958
LIABILITIES											
Current liabilities											
Bank overdraft	1	12 010	18 593	640	10 000	640	640				
Borrowing	4	608	605	560	1 000	560	560	–	–	–	–
Consumer deposits		1 383	1 730	1 960	1 880	1 960	1 960				
Trade and other payables	4	69 267	69 784	102 347	26 800	102 347	102 347	–	55 300	45 000	41 500
Provisions											
Total current liabilities		83 268	90 712	105 507	39 680	105 507	105 507	–	55 300	45 000	41 500
Non current liabilities											
Borrowing		1 894	898	6 321	10 500	6 321	6 321	–	4 888	4 888	4 888
Provisions		23 517	21 806	18 141	3 950	18 141	18 141	–	3 150	3 150	3 150
Total non current liabilities		25 411	22 704	24 462	14 450	24 462	24 462	–	8 038	8 038	8 038
TOTAL LIABILITIES		108 679	113 416	129 969	54 130	129 969	129 969	–	63 338	53 038	49 538
NET ASSETS	5	763 182	790 067	815 326	792 440	897 168	897 168	–	917 663	936 304	945 420
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		763 182	790 067	815 326	792 440	897 168	897 168		917 663	936 304	945 420
Reserves	4	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	763 182	790 067	815 326	792 440	897 168	897 168	–	917 663	936 304	945 420

Explanatory notes to Table A6 - Budgeted Financial Position

1. The Budgeted Financial Position is consistent with international standards of good financial management practice, and improves understandability for councillors and management of the impact of the budget on the statement of financial position (balance sheet).

2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

3. This table is supported by an extensive table of notes (SA3 which can be found on later in this report providing a detailed analysis of the major components of a number of items, including:

    - Call investments deposits;
    - Consumer debtors;
    - Property, plant and equipment;
    - Trade and other payables;
    - Provisions non-current;
    - Changes in net assets; and
    - Reserves

4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.

5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

MBRR Table A7 - Budgeted Cash Flow Statement

NC085 Tsantsabane - Table A7 Budgeted Cash Flows

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges		61 145	72 340	19 457	26 000	26 000	26 000		27 950	30 354	34 194
Service charges		42 493	49 670	80 783	104 381	90 777	90 777		88 093	118 590	137 161
Other revenue		–	14 400	1 071	9 567	2 359	2 359		12 084	13 852	15 587
Government - operating	1	238	256	32 012	30 997	33 842	33 842		35 713	37 632	40 354
Government - capital	1				15 159	15 159	15 159		14 833	15 815	16 485
Interest					510	510	510		541	577	617
Dividends									–	–	–
Payments											
Suppliers and employees		(72 050)	(148 900)	(100 677)	(171 596)	(175 418)	(175 418)		(189 056)	(204 636)	(220 976)
Finance charges		(8 920)	(1 130)	(2 520)	(6 848)	(6 848)	(6 848)		(5 249)	(5 606)	(5 993)
Transfers and Grants	1								–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES		22 905	(13 364)	30 125	8 170	(13 619)	(13 619)	–	(15 092)	6 579	17 430
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		2 500	14 400	15 395	37 800	15 000	15 000		48 500	40 798	33 613
Decrease (Increase) in non-current debtors		–			300	300	300		–	–	–
Decrease (increase) other non-current receivables		1 495	2 300		175	175	175		–	–	–
Decrease (increase) in non-current investments		–			450	450	450		–	–	–
Payments											
Capital assets		(20 000)	(26 782)	(39 296)	(18 159)	(18 159)	(18 159)		–	–	–
NET CASH FROM/(USED) INVESTING ACTIVITIES		(16 005)	(10 082)	(23 901)	20 566	(2 234)	(2 234)	–	48 500	40 798	33 613
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		(2 100)	–						–	–	–
Borrowing long term/refinancing			7 800	9 732	10 500	10 500	10 500		–	–	–
Increase (decrease) in consumer deposits			250		109	109	109		300	300	300
Payments											
Repayment of borrowing		(5 694)	(1 130)	8 209					–	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES		(7 794)	6 920	17 942	10 609	10 609	10 609	–	300	300	300
NET INCREASE/ (DECREASE) IN CASH HELD		(894)	(16 526)	24 166	39 345	(5 244)	(5 244)	–	33 708	47 677	51 343
Cash/cash equivalents at the year begin:	2	(12 000)	(12 894)	(29 419)	(5 254)	34 091	34 091		(2 300)	31 408	79 085
Cash/cash equivalents at the year end:	2	(12 894)	(29 419)	(5 254)	34 091	28 847	28 847	–	31 408	79 085	130 428

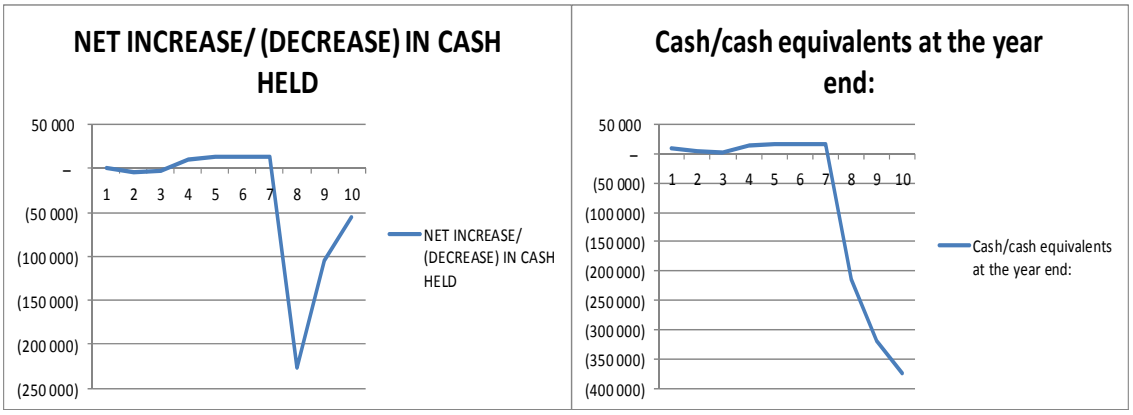
MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

NC085 Tsantsabane - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Cash and investments available											
Cash/cash equivalents at the year end	1	(12 894)	(29 419)	(5 254)	34 091	28 847	28 847	–	31 408	79 085	130 428
Other current investments > 90 days		24 548	24 738	14 986	(12 091)	(19 115)	(19 115)	–	(19 408)	(61 085)	(109 428)
Non current assets - Investments	1	–	–	–	–	–	–	–	–	–	–
Cash and investments available:		11 654	(4 681)	9 732	22 000	9 732	9 732	–	12 000	18 000	21 000
Application of cash and investments											
Unspent conditional transfers		23 787	18 587	2 898	–	2 898	2 898	–	–	–	–
Unspent borrowing		–	–	–	–	–	–		–	–	–
Statutory requirements	2										
Other working capital requirements	3	28 408	9 785	46 627	(7 050)	37 911	37 911	–	37 702	23 213	16 413
Other provisions											
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		52 195	28 371	49 525	(7 050)	40 809	40 809	–	37 702	23 213	16 413
Surplus(shortfall)		(40 541)	(33 052)	(39 793)	29 050	(31 077)	(31 077)	–	(25 702)	(5 213)	4 587

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.



3. It can be seen that the cash levels of the Municipality is expected to fall significantly in the future.
4. The 2016/17 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is not aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.

2. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded". The municipality's budget is not cash-funded and thus in compliance with the requirements of the MFMA.

3. As part of the budgeting and planning guidelines that informed the compilation of the 2016/17 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

MBRR Table A9 - Asset Management

NC085 Tsantsabane - Table A9 Asset Management

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
CAPITAL EXPENDITURE										
Total New Assets	1	–	–	–	–	–	–	–	–	–
Total Renewal of Existing Assets	2	5 500	–	–	33 150	26 517	26 517	18 218	22 072	28 462
Infrastructure - Road transport		–	–	–	18 159	25 159	25 159	14 833	15 815	16 485
Infrastructure - Water		–	–	–	8 000	–	–	–	–	–
Infrastructure - Sanitation		5 500	–	–	–	–	–	–	–	–
Infrastructure - Other		–	–	–	80	–	–	–	–	–
Infrastructure		*5 500*	–	–	*26 239*	*25 159*	*25 159*	*14 833*	*15 815*	*16 485*
Community		–	–	–	2 761	44	44	–	–	–
Other assets	6	–	–	–	4 150	1 314	1 314	3 385	6 257	11 977
Total Capital Expenditure	4									
Infrastructure - Road transport		–	–	–	18 159	25 159	25 159	14 833	15 815	16 485
Infrastructure - Water		–	–	–	8 000	–	–	–	–	–
Infrastructure - Sanitation		5 500	–	–	–	–	–	–	–	–
Infrastructure - Other		–	–	–	80	–	–	–	–	–
Infrastructure		*5 500*	–	–	*26 239*	*25 159*	*25 159*	*14 833*	*15 815*	*16 485*
Community		–	–	–	2 761	44	44	–	–	–
Other assets		–	–	–	4 150	1 314	1 314	3 385	6 257	11 977
TOTAL CAPITAL EXPENDITURE - Asset class	2	5 500	–	–	33 150	26 517	26 517	18 218	22 072	28 462

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.

2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The Municipality does not meet both these recommendations.

3. An analysis between depreciation and operational repairs and maintenance over the MTREF is not yet possible until the municipality changes its financial systems to include all maintenance costs, also those incurred internally, to the maintenance votes. When implemented it will highlight the Municipality's maintenance backlog.

Table A10 – Consolidated basic service delivery

Refer to table A10 under.

NC085 Tsantsabane - Table A10 Basic service delivery measurement

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Household service targets	1									
Water:										
Piped water inside dwelling		7 457	8 487	8 510	8 805	8 805	8 805	8 955	9 050	9 231
Piped water inside yard (but not in dwelling)		1 322	760	1 622	1 795	1 795	1 795	2 172	2 225	2 270
Using public tap (at least min.service level)	2	500	300	200	200	200	200	100	100	102
Minimum Service Level and Above sub-total		9 279	9 547	10 332	10 800	10 800	10 800	11 227	11 375	11 603
Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
Total number of households	5	9 279	9 547	10 332	10 800	10 800	10 800	11 227	11 375	11 603
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		7 457	7 007	7 865	8 330	8 330	8 330	8 497	8 709	8 953
Flush toilet (with septic tank)		500	50	1 622	1 772	1 772	1 772	1 807	1 853	1 904
Chemical toilet		–	600	200	200	200	200	204	209	215
Minimum Service Level and Above sub-total		7 957	7 657	9 687	10 302	10 302	10 302	10 508	10 771	11 072
Bucket toilet		–	300	300	300	300	300	300	200	200
Below Minimum Service Level sub-total		–	300	300	300	300	300	300	200	200
Total number of households	5	7 957	7 957	9 987	10 602	10 602	10 602	10 808	10 971	11 272
Energy:										
Electricity (at least min.service level)		2 314	2 420	2 480	2 590	2 590	2 590	2 642	2 708	2 784
Electricity - prepaid (min.service level)		670	–	1 622	1 872	1 872	1 872	1 909	1 957	2 012
Minimum Service Level and Above sub-total		2 984	2 420	4 102	4 462	4 462	4 462	4 551	4 665	4 796
Electricity (< min.service level)		–	300	–	–	–	–	–	–	–
Below Minimum Service Level sub-total		–	300	–	–	–	–	–	–	–
Total number of households	5	2 984	2 720	4 102	4 462	4 462	4 462	4 551	4 665	4 796
Refuse:										
Removed at least once a week		7 457	7 437	9 187	10 800	10 800	10 800	11 016	11 291	11 608
Minimum Service Level and Above sub-total		7 457	7 437	9 187	10 800	10 800	10 800	11 016	11 291	11 608
Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
Total number of households	5	7 457	7 437	9 187	10 800	10 800	10 800	11 016	11 291	11 608
Cost of Free Basic Services provided - Formal Settlements (R'000)	8									
Water (6 kilolitres per indigent household per month)		–	–	–	–	–	–	–	2 332	2 491
Sanitation (free sanitation service to indigent households)		–	–	–	–	–	–	–	3 135	3 348
Electricity/other energy (50kwh per indigent household per month)		–	–	–	–	–	–	–	1 568	1 674
Refuse (removed once a week for indigent households)		–	–	–	–	–	–	–	2 354	2 514
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)		–	–	–	–	–	–	9 389	10 027	10 719
Total cost of FBS provided		–	–	–	–	–	–	9 389	19 416	20 746
Highest level of free service provided per household										
Property rates (R value threshold)		15 000	30 000	30 000	30 000	30 000	30 000	30 000	30 000	30 000
Water (kilolitres per household per month)				57	61	61	61	66	73	80
Sanitation (kilolitres per household per month)				176	194	194	194	208	225	243
Sanitation (Rand per household per month)										
Electricity (kwh per household per month)				40	43	43	43	47	51	56
Refuse (average litres per week)				113	123	123	123	215	233	251
Revenue cost of subsidised services provided (R'000)	9									
Property rates (tariff adjustment) (impermissable values per section 17 of MPRA)		1 230	1 404		3 079	3 079	3 079	3 079	3 079	3 079
Property rates exemptions, reductions and rebates and impermissable values in excess of section 17 of MPRA)		–	–	–	500	500	500	–	538	525
Water (in excess of 6 kilolitres per indigent household per month)		766	–	–	–	–	–	–	–	–
Sanitation (in excess of free sanitation service to indigent households)		3 175	–	–	–	–	–	–	–	–
Electricity/other energy (in excess of 50 kwh per indigent household per month)		754	–	–	–	–	–	–	–	–
Refuse (in excess of one removal a week for indigent households)		2 760	–	–	–	–	–	–	–	–
Total revenue cost of subsidised services provided		8 685	1 404	–	3 579	3 579	3 579	3 079	3 617	3 604

Part 2 – Supporting Documentation

1.8 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Mayor.

The primary aims of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

1.8.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2016) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required IDP and budget time schedule during August 2016. Key dates applicable to the process were:

- **August 2016** – Joint strategic planning session of the Budget Steering Committee. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2017/18 MTREF;
- **November 2016** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **7 to 14 January 2017** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2017** – Multi-year budget proposals are submitted to the Budget and Steering committee.
- **29 January 2017** - Council considers the 2015/16 Mid-year Review and Adjustments Budget;

- **February 2017** - Recommendations of the Budget and steering committee. The draft 2017/18 MTREF is revised accordingly;
- **28 March 2017** - Tabling in Council of the draft 2017/18 IDP and 2017/18 MTREF for public consultation;
- **April 2017** – Public consultation;
- **09 May 2017** - Closing date for written comments;
- **12 to 24 May 2017** – finalisation of the 2017/18 IDP and 2017/18 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework;
- **Workshop councillors on the budget** – 26 May 2017 and
- **30 May 2017** - Tabling of the 2017/18 IDP and 2017/18 MTREF before Council for consideration and approval.
- Mayor sign the **SDBIP** and **performance contracts** of senior managers for 2017/18 by **16 June 2017**.

1.8.2 IDP and Service Delivery and Budget Implementation Plan

This is the fifth review of the IDP as adopted by Council in May 2011. It started in 2011 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2011/12 MTREF in August.

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fifth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2016/17 MTREF, based on the approved 2016/17 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2016/17 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2015/16 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

1.8.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2016/17 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2016/17 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2015/16 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 70 and 72 has been taken into consideration in the planning and prioritisation process.

1.9 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2015 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2015/16 MTREF and further planning refinements that have directly informed the compilation of the budget:

IDP Strategic Objectives

2016/17 Financial Year	2016/17 MTREF
1. The provision of quality basic services and infrastructure	1. Provision of quality basic services and infrastructure
2. Acceleration of higher and shared economic growth and development	2. Economic growth and development that leads to sustainable job creation
3. Fighting of poverty, building clean, healthy, safe and sustainable communities	3.1 Fight poverty and build clean, healthy, safe and sustainable communities
	3.2 Integrated Social Services for empowered and sustainable communities
4. Fostering participatory democracy and adherence to Tsantsabane principles through a caring, accessible and accountable service	4. Foster participatory democracy and Tsantsabane principles through a caring, accessible and accountable service
5. Good governance, Financial viability and institutional governance	5.1 Promote sound governance
	5.2 Ensure financial sustainability
	5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
    - Provide electricity;
    - Provide water;
    - Provide sanitation;
    - Provide waste removal;
    - Provide housing;
    - Provide roads and storm water;
    - Provide public transport;
    - Provide municipal planning services; and
    - Maintaining the infrastructure of the Municipality.

2. Economic growth and development that leads to sustainable job creation by:
    - Ensuring the is a clear structural plan for the Municipality;
    - Ensuring planning processes function in accordance with set timeframes;
    - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.

3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
    - Effective implementation of the Indigent Policy;
    - Working with the provincial department of health to provide primary health care services;
    - Extending waste removal services and ensuring effective Municipality cleansing;
    - Ensuring all waste water treatment works are operating optimally;
    - Working with strategic partners such as SAPS, to address crime;
    - Ensuring save working environments by effective enforcement of building and health regulations;
    - Promote viable, sustainable communities through proper zoning; and
    - Promote environmental sustainability by protecting wetlands and key open spaces.

3.2 Integrated Social Services for empowered and sustainable communities
    - Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme

4. Foster participatory democracy and Tsantsabane principles through a caring, accessible and accountable service by:
    - Optimising effective community participation in the ward committee system; and
    - Implementing Tsantsabane in the revenue management strategy.

5.1 Promote sound governance through:
    - Publishing the outcomes of all tender processes on the municipal website

5.2 Ensure financial sustainability through:
    - Reviewing the use of contracted services
    - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan

5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

The 2016/17 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

NC085 Tsantsabane - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

Strategic Objective	Goal	Goal Code	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Sustainable Services	Water			21 796	17 757	18 130	28 518	24 260	24 260	23 939	27 876	31 866
	Electricity			37 824	37 404	38 176	50 607	44 307	44 307	45 768	57 391	66 243
	Sanitation			7 435	9 969	14 012	10 506	9 140	9 140	10 915	12 157	13 745
	Waste Management			3 904	8 016	8 686	14 750	13 070	13 070	7 471	9 485	12 040
	Health			846								
	Community & Social Services				673	1 925	1 834	1 834	1 834			
Infrastructure	Roads & Stormwater			18 310	25 146	18 455	3 745			231	247	264
	Cemeteries			30	25	38	34	34	34	36	38	41
	Housing			707	7 729			136	136	144	151	159
	Integrated Planning											
Good Governmance	Finance Management			53 821	51 433	70 583	35 485	33 132	33 132	61 624	66 764	74 100
	Human Resource			156	3 480	887	26 010	26 010	26 010			
	Executive & Council			30	7 934		35 932	15 000	15 000	48 500	40 798	33 613
Enviromental Development	LED											
Social Development	Culture & Sport			90	12		1 834					
Safety & Security	Road Safety			30 782	25 146	–		1 565	1 565			
	Other					12 457				14 253	15 215	16 188
Allocations to other priorities			2									
Total Revenue (excluding capital transfers and contributions)			1	175 731	194 724	183 350	209 255	168 488	168 488	212 880	230 122	248 260

MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

NC085 Tsantsabane - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective	Goal	Goal Code	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Sustainable Services	Water			26 237	13 007	41 697	27 690	27 690	27 690	26 767	30 149	34 057
	Electricity			29 434	28 798	40 612	40 659	40 659	40 659	42 620	45 906	49 458
	Sanitation			13 312	13 151	15 060	17 618	16 818	16 818	15 438	16 488	17 626
	Waste Management			3 869	9 202	7 384	10 267	10 879	10 879	11 187	11 948	12 772
	Health			847	728	549	560	560	560	844	995	1 063
	Community & Social Services			3 741	3 542	4 458	6 733	6 955	6 955	7 577	7 829	8 362
Infrastructure	Roads & Stormwater			24 682	11 303	10 637	12 488	13 648	13 648	13 816	14 581	15 587
	Cemeteries			707	703	778	1 193	1 193	1 193	1 262	1 347	1 440
	Housing			1 949	845	2 196	1 035	1 171	1 171	1 257	1 343	1 435
	Integrated Planning									1 774	1 895	2 026
Good Governance	Finance Management			19 602	31 125	25 876	30 756	35 919	35 919	32 902	35 273	37 810
	Human Resource			2 950	2 225	2 365	4 016	5 166	5 166	4 720	5 041	5 389
	Executive & Council			8 535	20 819	10 609	16 728	17 240	17 240	17 744	18 951	20 259
Enviromental Development	LED							–				
Social Development	Culture & Sport			4 070	4 714	6 289	7 918	7 918	7 918	8 206	8 764	9 369
Safety & Security	Road Safety			3 888	3 520	2 700	6 279	4 306	4 306	4 873	5 204	5 563
	Other					9 486	7 448	17 701	17 701	21 830	24 299	25 888
Allocations to other priorities				6 454	6 578		12 613					
Total Expenditure			1	150 275	150 260	180 696	204 001	207 823	207 823	212 819	230 014	248 105

MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

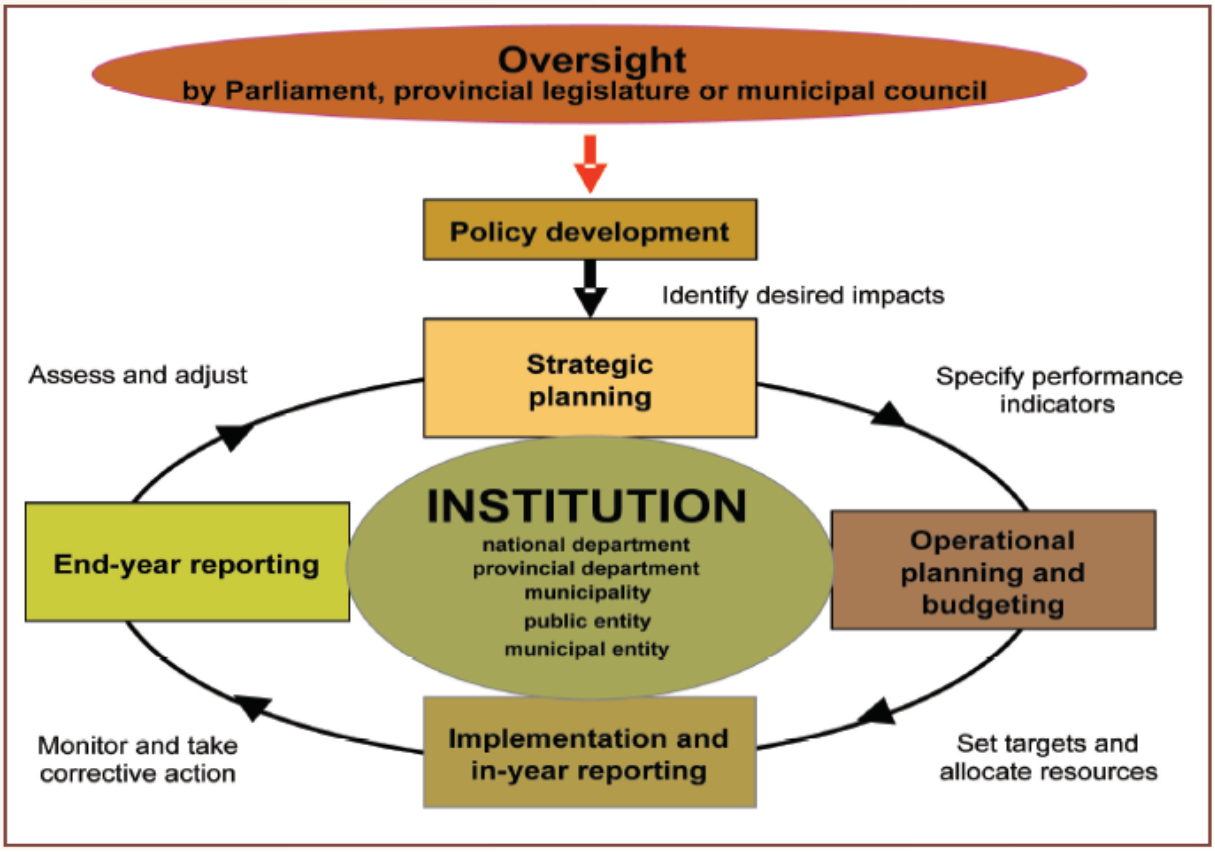
NC085 Tsantsabane - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

Strategic Objective	Goal	Goal Code	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Sustainable	Water	A		6 230	795		8 000	–	–			
	Electricity	B		2 500	1 602							
	Sanitation	C		8 500								
	Waste Management	D		5 520	4 588	1 108	80	–	–			
	Health	E										
	Community	F		873			3 338	1 358	1 358			
Infrastructure	Roads & Stormwater	G		24 170	16 341	38 037	18 159	25 159	25 159	14 833	15 815	16 485
	Cemeteries	H		30								
	Housing	I										
Good Governance	Integrated Planning	J										
	Financial Management	K		1 917	62	62						
	Human Resource	L		961								
	Execitive and Council	M		842	89	89				950	4 000	10 000
Economic Development	Local Economic Development	N										
Social Development	Culture & Sport	O		1 098								
Safety & Security	Road Safety			234								
	Disaster Management			24								
		P										
Allocations to other priorities			3		55		3 573			2 435	2 257	1 977
Total Capital Expenditure			1	52 898	23 532	39 296	33 150	26 517	26 517	18 218	22 072	28 462

1.10 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality with the help of the Municipal Manager, Mr HG Mathobela and the ZFM District Municipality, helped with the development and implemented a performance management system. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

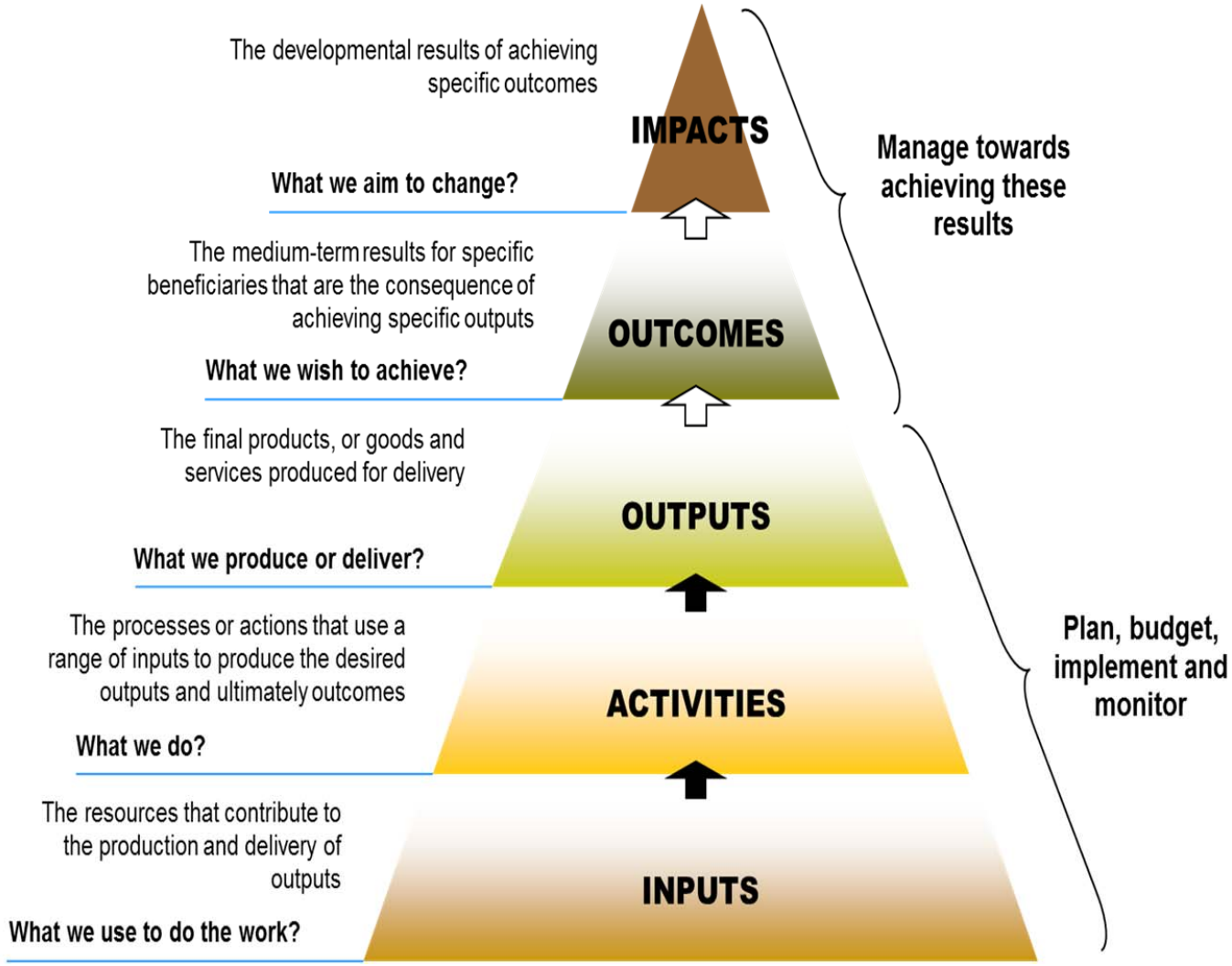
The planning, budgeting and reporting cycle can be graphically illustrated as follows:



The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the ***Framework of Managing Programme Performance Information*** issued by the National Treasury:



The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

MBRR Table SA7 - Measurable performance objectives

NC085 Tsantsabane - Supporting Table SA7 Measureable performance objectives

Description	Unit of measurement	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Community Services										
Housing										
Eradication of Backlog	Complete houses	150	150	43	150	150	150	150	150	150
Provide RDP houses to community										
Financa Department										
Budget and Reporting Office										
18 policies completed	Policies	8	10	10	10	10	10	10	10	10
12 By Laws completed.	By-Laws	14	14	14	14	14	14	14	14	14
AFS	AFS	1	1	1	1	1	1	1	1	1
Section 71 Reports	Reports	12	12	12	12	12	12	12	12	12
Section 52(d) Reports	Reports	1	1	4	1	1	1	1	1	1
SDBIP	Reports	1	1	1	1	1	1	1	1	1
Annual Budget	Budget	1	1	1	1	1	1	1	1	1
Section 72 Report	Report	1	1	1	1	1	1	1	1	1
Spending of 95% of Capital Budget	% Spending	95.0%	95.0%	56.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
75% Implementation of SCOA	New System			0.0%	75.0%	75.0%	75.0%	80.0%	100.0%	
Tabling of Budget 31 March2016	Draft Budget	1	1	1	1	1	1	1	1	1
Approve Budget before 31 May	Final Budget	1	1		1	1	1	1	1	1
Supplementary valuation roll	Valuation Roll	1	1	1	1	1	1	1	1	1
100% Spending of MSIG and FMG as per	% Spending	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Updated indigent register	Indigent Register	1	1	1	1	1	1	1	1	1
Electrical Department										
Function 1 - Electricity										
Sub-function 1 - Provide higher levels										
Houses electrified to eredicate backlogs	Households	150	150	43	150	150	150	150	150	150
Replace 450 new elect. meters	Meters				45	45	45	45	45	45
Corporate Services										
Function 1 - Functional Administartion										
Sub-function 1 - Provide high levels of										
Review all HR Policies	Policies	10	12	8.0%	25	25	25	25	25	25
80% Spending of Capital Budget	% Spending	32.0%	41.0%	27.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Annual Report	Report		1	1	1	1	1	1	1	1
Community Services										
Function 1 - High level of service										
Sub-function 1 - Librarys										
100% Spending of Grant	% Spending	88.0%	100.0%	83.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
80% Spending of Capital Budget	% Spending	52.0%	65.0%	33.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Function 2 - Parks an Recreation										
Sub-function 1 - Clean facilities										
80% Spending of Capital Budget	% Spending	33.0%	40.0%	30.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
90% Spending of Maintanance Budget	% Spending	72.0%	77.0%	69.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Sub-function 2 - Refuse Removal										
80% Spending of Capital Budget	% Spending	52.0%	69.0%	58.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
90% Spending of Maintanance Budget	% Spending	77.0%	81.0%	92.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Sub-function 3 - Halls										
80% Spending of Capital Budget	% Spending	95.0%	67.0%	12.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
90% Spending of Maintanance Budget	% Spending	64.0%	61.0%	66.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Technical Services - Public Works										
Roads and Stormwater										
Eradication of backlogs										
Reduce roads backlogs	Kilometers	2.5	1.5	2.3	1.5	1.5	1.5	1.5	1.5	1.5
MaintainedSurfaced roads	Kilometers	2	2	0	3	3	3	3	3	3
Stormwater drainage to reduce backlogs	Kilometers	2	2	0	2	2	2	2	2	2
100% Spending of MIG Funds	% Spending	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
90% Spending of Maintanance Budget	% Spending	90.0%	90.0%	71.0%	92.0%	92.0%	92.0%	92.0%	92.0%	92.0%
Public works : Water										
Backlogs Households provided with a water	Number	8	8	5	8	8	8	8	8	8
infrastructure Upgrade & replace of Asbestos	Meters	8	8	0	8	8	8	8	8	8
90% Spending of Maintanance Budget	% Spending	90.0%	90.0%	78.0%	92.0%	92.0%	92.0%	92.0%	92.0%	92.0%
Public Works : sewer										
Households provided with a sanitation	Number	150	150	49	150	150	150	150	150	150
90% Spending of Maintanance Budget	% Spending	90.0%	90.0%	70.0%	92.0%	92.0%	92.0%	92.0%	92.0%	92.0%
And so on for the rest of the Votes										

1.10.1 Performance indicators and benchmarks

1.10.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Tsantsabane Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the Municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2016/17 MTREF:

- *Borrowing to asset ratio* is a measure of the long-term borrowing as a percentage of the total asset base of the municipality. This ration is by far below the borrowing capacity of the municipality, but it needs to be noted that capital grants and transfers has contributed significantly to the municipality's capital expenditure programs, thus limiting the need for borrowing.

- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing is less than 1% throughout the MTREF period. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the Municipality should limit external interest charges to the minimum.

- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. The municipality intend to borrow money from DBSA during the MTREF period.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the Municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. As part of the compilation of the 2016/17 MTREF the potential of smoothing out the debt profile over the longer term will be investigated.

1.10.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, overdraft and tax provisions as a percentage of funds and reserves. This ratio is well above the norm, indicating a weak financial position.

- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. A ratio in the region of 50% is a general benchmark and the municipality is currently on 6 per cent and increasing to 6.2 per cent by 2016/17. This is again a clear indication of the municipalty's financial weakness.

1.10.1.3 Liquidity

- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations.

1.10.1.4 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection. The collection rates in this indicator is based on all cash receipts, also for direct income. The collection rate used for the calculation of debtors' payments was 75 per cent which is a fairly conservative approach in order to cater for the current negative economic climate.

1.10.1.5 Creditors Management

- The Municipality did not managed to ensure that creditors are settled within the legislated 30 days of invoice. The liquidity ratio is of concern. This had an impact on suppliers' perceptions of risk of doing business with the Municipality.

1.10.1.6 Other Indicators

- The electricity/water losses have not been measured. The Municipality needs to measure all water and electricity losses.

- Employee costs as a percentage of operating revenue is fairly constant over the MTREF. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers.

- Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also fairly constant owing directly to cost drivers such as bulk purchases increasing above inflation. The expenditure on repairs and maintenance is well below acceptable levels, but the actual cost will only be determined when a costing system is implemented.

1.10.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. Only registered indigents qualify for the free basic services.

For the MTREF 2,740 registered indigents have been provided for in the budget. In terms of the Municipality's indigent policy registered households are entitled to 6kℓ fee water, 50 kwh of electricity, free sanitation and free waste removal equivalent once a week, as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained elsewhere in this report.

1.11 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

1.11.1 Review of credit control and debt collection procedures/policies

The Collection Policy as approved by Council in October 2014 is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, they are entitled to free basic services.

The 2016/17 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 75 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels. During April 2015, 718 households will change from conventional water meters to a pre-paid water system that will help with the cash flow of the Municipality.

1.11.2 Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

1.11.3 Budget Adjustment Policy

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

1.11.4 Supply Chain Management Policy

The Supply Chain Management Policy was workshop by Council for approval during March/April 2016. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

1.11.5 Budget and Virement Policy

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations. The Budget and Virement Policy was workshop by council for approval during April 2016.

1.11.6 Cash Management and Investment Policy

The Municipality's Cash Management and Investment Policy was approved by Council. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

1.11.7 Tariff Policies

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

All the above policies are available on the Municipality's website, as well as the following budget related policies:

- Property Rates Policy (Reviewed during 2013);
- Funding and Reserves Policy;
- Borrowing Policy;
- Budget Policy; and
- Basic Social Services Package (Indigent Policy);
- Commitment Policy;

- Contingent Liability/Asset Policy;
- Events after reporting Date;
- Related Party Policy;
- Virement Policy
- Travel and Subsistence Policy;
- Sharing of responsibilities Policies.

1.12 Overview of budget assumptions

1.12.1 External factors

Domestically, after five years of strong growth, during which lot of jobs were created, our economy shrank fast and thousands of people lost their jobs. It is expected that recovery from this deterioration will be slow and uneven and that growth for 2016 will minimal with a slightly better growth in the outer years.

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

1.12.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2016/17 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity; and
- The increase in the cost of remuneration.

1.12.3 Credit rating outlook

There is no credit rating for Tsantsabane Municipality.

1.12.4 Interest rates for borrowing and investment of funds

The municipality intend to borrow R10,5 million during the 2017/18 financial year. It is expected that interest rates will be adjusted slightly upwards during the MTREF period and it was budget for as such.

1.12.5 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher that CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (60 per cent) of annual billings. Cash flow is assumed to be 75 per cent of billings. The performance of any increased collections or arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

1.12.6 Growth or decline in tax base of the municipality

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

1.12.7 Salary increases

There is no collective agreement on salary increases in place for the budget year, and the guidance of 6,4% increase as contained in Circular 78 of National Treasury was not used to budget accordingly. We budget for an increase of 6,6%.

1.12.8 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

1.12.9 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 75 per cent is achieved on operating expenditure and 50 per cent on the capital programme for the 2016/17 MTREF of which performance has been factored into the cash flow budget.

1.13 Overview of budget funding

1.13.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

NC085 Tsantsabane - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue By Source											
Property rates	2	10 546	24 108	24 345	26 000	26 000	26 000	–	27 950	30 354	34 194
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	37 525	37 404	40 883	50 607	44 307	44 307	–	45 768	57 391	66 243
Service charges - water revenue	2	21 790	17 757	18 153	28 518	24 260	24 260	–	23 939	27 876	31 866
Service charges - sanitation revenue	2	7 497	9 969	14 012	14 750	13 070	13 070	–	10 915	12 157	13 745
Service charges - refuse revenue	2	3 906	8 016	8 686	10 506	9 140	9 140	–	7 471	9 485	12 040
Service charges - other											
Rental of facilities and equipment		302	293	143	230	230	230		374	399	427
Interest earned - external investments		1 639	880	1 071	510	510	510		541	577	617
Interest earned - outstanding debtors							–				
Dividends received							–				
Fines		156	72	91	310	310	310		318	340	363
Licences and permits		821	263	211	383	383	383		493	526	563
Agency services		678	637		800	800	800		848	906	968
Transfers recognised - operational		48 879	29 306	47 610	30 997	33 697	33 697		35 713	37 632	40 354
Other revenue	2	41 992	37 019	12 749	7 844	781	781	–	10 051	11 682	13 266
Gains on disposal of PPE			29 000	15 395	37 800	15 000	15 000		48 500	40 798	33 613
Total Revenue (excluding capital transfers and contributions)		175 731	194 724	183 350	209 255	168 488	168 488	–	212 880	230 122	248 260

Breakdown of operating revenue over the 2016/17 MTREF

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as electricity and solid waste removal, property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the Municipality and economic development;

- Revenue management and enhancement;
- Achievement of a 75 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

Investment revenue contributes significantly to the revenue base of the Municipality. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

The tables below provide detail investment information and investment particulars by maturity.

MBRR SA15 – Detail Investment Information

NC085 Tsantsabane - Supporting Table SA15 Investment particulars by type

Investment type	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Parent municipality										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank		23 664	13 912		32 000	–	–	12 000	18 000	21 000
Municipality sub-total	1	23 664	13 912	–	32 000	–	–	12 000	18 000	21 000
Entities										
Entities sub-total		–	–	–	–	–	–	–	–	–
Consolidated total:		23 664	13 912	–	32 000	–	–	12 000	18 000	21 000

MBRR SA16 – Investment particulars by maturity

None

1.13.2 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

MBRR Table A7 - Budget cash flow statement

NC085 Tsantsabane - Table A7 Budgeted Cash Flows

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges		61 145	72 340	19 457	26 000	26 000	26 000		27 950	30 354	34 194
Service charges		42 493	49 670	80 783	104 381	90 777	90 777		88 093	118 590	137 161
Other revenue		–	14 400	1 071	9 567	2 359	2 359		12 084	13 852	15 587
Government - operating	1	238	256	32 012	30 997	33 842	33 842		35 713	37 632	40 354
Government - capital	1				15 159	15 159	15 159		14 833	15 815	16 485
Interest					510	510	510		541	577	617
Dividends									–	–	–
Payments											
Suppliers and employees		(72 050)	(148 900)	(100 677)	(171 596)	(175 418)	(175 418)		(189 056)	(204 636)	(220 976)
Finance charges		(8 920)	(1 130)	(2 520)	(6 848)	(6 848)	(6 848)		(5 249)	(5 606)	(5 993)
Transfers and Grants	1								–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES		22 905	(13 364)	30 125	8 170	(13 619)	(13 619)	–	(15 092)	6 579	17 430
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		2 500	14 400	15 395	37 800	15 000	15 000		48 500	40 798	33 613
Decrease (Increase) in non-current debtors		–			300	300	300		–	–	–
Decrease (increase) other non-current receivables		1 495	2 300		175	175	175		–	–	–
Decrease (increase) in non-current investments		–			450	450	450		–	–	–
Payments											
Capital assets		(20 000)	(26 782)	(39 296)	(18 159)	(18 159)	(18 159)		–	–	–
NET CASH FROM/(USED) INVESTING ACTIVITIES		(16 005)	(10 082)	(23 901)	20 566	(2 234)	(2 234)	–	48 500	40 798	33 613
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		(2 100)	–						–	–	–
Borrowing long term/refinancing			7 800	9 732	10 500	10 500	10 500		–	–	–
Increase (decrease) in consumer deposits			250		109	109	109		300	300	300
Payments											
Repayment of borrowing		(5 694)	(1 130)	8 209					–	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES		(7 794)	6 920	17 942	10 609	10 609	10 609	–	300	300	300
NET INCREASE/ (DECREASE) IN CASH HELD		(894)	(16 526)	24 166	39 345	(5 244)	(5 244)	–	33 708	47 677	51 343
Cash/cash equivalents at the year begin:	2	(12 000)	(12 894)	(29 419)	(5 254)	34 091	34 091		(2 300)	31 408	79 085
Cash/cash equivalents at the year end:	2	(12 894)	(29 419)	(5 254)	34 091	28 847	28 847	–	31 408	79 085	130 428

1.13.3 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table does not meet the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

1.13.4 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality.

1.13.4.1 Cash/cash equivalent position

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year.

1.13.4.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in the previous page. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

1.13.4.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should

the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts.

1.13.4.4 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2016/17 MTREF the indicative outcome is a surplus of R60 663, a surplus of R107 349 (2017/18) and R155 774 (2018/19).

It needs to be noted that a surplus or deficit does not necessarily mean that the budget is funded from a cash flow perspective.

1.13.4.5 Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

1.13.4.6 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget

1.13.4.7 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 5,79 per cent over the MTREF. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

1.13.4.8 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 100 per cent payments has been factored into the cash position forecasted over the entire financial year.

1.13.4.9 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers and therefore no percentage is being shown as outstanding.

1.13.4.10 Consumer debtors change (Current and Non-current)

The purpose of these measures are to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position.

1.13.4.11 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the Municipality's strategy pertaining to asset management and repairs and maintenance is contained elsewhere in this report.

1.13.4.12 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. Further details in this regard are contained elsewhere in this report.

1.14 Expenditure on grants and reconciliations of unspent funds

MBRR SA19 - Expenditure on transfers and grant programmes

NC085 Tsantsabane - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
EXPENDITURE:	1									
Operating expenditure of Transfers and Grants										
National Government:		27 722	29 685	–	31 997	31 997	31 997	33 911	35 647	38 239
Local Government Equitable Share		25 422	26 145		28 192	28 192	28 192	30 151	32 515	35 639
Finance Management		1 500	1 650		1 875	1 875	1 875	2 010	2 345	2 600
Municipal Systems Improvement		800	890		930	930	930	750	787	–
EPWP Incentive			1 000		1 000	1 000	1 000	1 000	–	–
Provincial Government:		14 926	621	–	1 845	1 700	1 700	1 802	1 985	2 115
Health subsidy		959								
Housing		13 470								
Library Development Grant		497	621		1 845	1 700	1 700	1 802	1 985	2 115
District Municipality:		–	–	–	–	–	–	–	–	–
Other grant providers:		–	–	–	–	–	–	–	–	–
Total operating expenditure of Transfers and Grants		42 648	30 306	–	33 842	33 697	33 697	35 713	37 632	40 354
Capital expenditure of Transfers and Grants										
National Government:		14 420	14 282	–	15 159	15 159	15 159	14 833	15 815	16 485
Municipal Infrastructure Grant (MIG)		14 420	14 282		15 159	15 159	15 159	14 833	15 815	16 485
Provincial Government:		–	–	–	–	–	–	–	–	–
District Municipality:		–	–	–	–	–	–	–	–	–
Other grant providers:		–	–	–	–	–	–	–	–	–
Total capital expenditure of Transfers and Grants		14 420	14 282	–	15 159	15 159	15 159	14 833	15 815	16 485
TOTAL EXPENDITURE OF TRANSFERS AND GRANT		57 068	44 588	–	49 001	48 856	48 856	50 546	53 447	56 839

1.15 Councillor and employee benefits

MBRR SA22 - Summary of councillor and staff benefits

NC085 Tsantsabane - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
	1	A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)										
Basic Salaries and Wages		1 760	1 868	2 235	2 199	2 199	2 199	2 206	2 357	2 519
Pension and UIF Contributions		204								
Motor Vehicle Allowance		546	624	709	603	603	603	713	762	814
Cellphone Allowance		116	159		269	269	269	285	305	326
Other benefits and allowances		–	181							
Sub Total - Councillors		2 626	2 831	2 944	3 071	3 071	3 071	3 205	3 423	3 659
% increase	4		7.8%	4.0%	4.3%	–	–	4.4%	6.8%	6.9%
Senior Managers of the Municipality	2									
Basic Salaries and Wages		3 291	2 333	4 800	5 150	5 150	5 150	5 327	5 689	6 088
Performance Bonus		337		–	721	721	721	346	369	395
Motor Vehicle Allowance	3	–	976							
Other benefits and allowances	3	–	857	78						
Payments in lieu of leave		–	118							
Sub Total - Senior Managers of Municipality		3 628	4 284	4 878	5 871	5 871	5 871	5 673	6 059	6 483
% increase	4		18.1%	13.9%	20.4%	–	–	(3.4%)	6.8%	7.0%
Other Municipal Staff										
Basic Salaries and Wages		24 260	27 425	27 953	34 907	35 043	35 043	38 495	41 112	43 942
Pension and UIF Contributions		4 159	4 381	4 500	5 998	5 998	5 998	7 085	7 567	8 089
Medical Aid Contributions		2 649	1 719	1 862	2 607	2 607	2 607	1 940	2 071	2 214
Overtime		3 611	4 440	4 500	5 895	5 895	5 895	9 322	9 956	10 643
Motor Vehicle Allowance	3	2 264	2 927	4 370	4 250	4 250	4 250	5 713	6 102	6 523
Cellphone Allowance	3	175	17	4	158	158	158	463	495	529
Housing Allowances	3	128	64	70	130	130	130	2 021	2 169	2 318
Other benefits and allowances	3	5 047	2 397	2 586	3 876	3 876	3 876	4 012	4 274	4 570
Payments in lieu of leave		397								
Long service awards		11			52	52	52	6	6	7
Sub Total - Other Municipal Staff		42 702	43 370	45 846	57 873	58 009	58 009	69 057	73 753	78 836
% increase	4		1.6%	5.7%	26.2%	0.2%	–	19.0%	6.8%	6.9%
Total Parent Municipality		48 956	50 485	53 668	66 815	66 951	66 951	77 935	83 234	88 978
			3.1%	6.3%	24.5%	0.2%	–	16.4%	6.8%	6.9%
Sub Total - Other Staff of Entities		–	–	–	–	–	–	–	–	–
% increase	4		–	–	–	–	–	–	–	–
Total Municipal Entities		–	–	–	–	–	–	–	–	–
TOTAL SALARY, ALLOWANCES & BENEFITS		48 956	50 485	53 668	66 815	66 951	66 951	77 935	83 234	88 978
% increase	4		3.1%	6.3%	24.5%	0.2%	–	16.4%	6.8%	6.9%
TOTAL MANAGERS AND STAFF	5,7	46 330	47 654	50 724	63 744	63 880	63 880	74 730	79 811	85 319

MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)

NC085 Tsantsabane - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)

Disclosure of Salaries, Allowances & Benefits 1. Rand per annum	Ref	No.	Salary	Contributions 1.	Allowances	Performance Bonuses	In-kind benefits	Total Package 2.
Councillors	3							
Speaker	4		547 230		183 126			730 356
Total for all other councillors			1 786 106		688 538			2 474 644
Total Councillors	8	–	2 333 336	–	871 664			3 205 000
Senior Managers of the Municipality	5							
Municipal Manager (MM)			1 331 767		26 400	76 760		1 434 927
Chief Finance Officer			998 825		19 200	41 538		1 059 563
List of each offical with packages >= senior manager								
Director Community Services			998 825		19 200	41 538		1 059 563
Director Tecnical Services			998 825		19 200	41 538		1 059 563
Director Corporate Services			998 825		19 200	41 538		1 059 563
Total Senior Managers of the Municipality	8,10	–	5 327 067	–	103 200	242 912		5 673 179
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	10	–	7 660 403	–	974 864	242 912		8 878 179

1.16 Monthly targets for revenue, expenditure and cash flow

NC085 Tsantsabane - Supporting Table SA25 Budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue By Source																
Property rates		14 780	1 197	1 197	1 197	1 197	1 197	1 197	1 197	1 197	1 197	1 197	1 200	27 950	30 354	34 194
Property rates - penalties & collection charges													–	–	–	–
Service charges - electricity revenue		4 480	4 785	4 005	3 521	3 342	2 998	2 898	3 378	3 333	3 595	4 880	4 553	45 768	57 391	66 243
Service charges - water revenue		1 698	1 588	1 602	1 880	2 200	2 695	2 990	2 105	1 998	1 995	1 882	1 306	23 939	27 876	31 866
Service charges - sanitation revenue		910	910	910	910	910	910	910	910	910	910	910	909	10 915	12 157	13 745
Service charges - refuse revenue		623	623	623	623	623	623	623	623	623	623	623	624	7 471	9 485	12 040
Service charges - other													–	–	–	–
Rental of facilities and equipment		32	29	37	34	48	55	30	20	18	19	30	22	374	399	427
Interest earned - external investments		45	45	45	45	45	45	45	45	45	45	45	46	541	577	617
Interest earned - outstanding debtors													–	–	–	–
Dividends received													–	–	–	–
Fines		27	27	27	27	27	27	27	27	27	27	27	27	318	340	363
Licences and permits		41	41	41	41	41	41	41	41	41	41	41	42	493	526	563
Agency services		71	71	71	71	71	71	71	71	71	71	71	71	848	906	968
Transfers recognised - operational		11 650	804	815	802	8 150	800	782	880	6 874	814	798	2 544	35 713	37 632	40 354
Other revenue		837	837	837	837	837	837	837	837	837	837	837	844	10 051	11 682	13 266
Gains on disposal of PPE			20 000	15 000	10 000	3 500							–	48 500	40 798	33 613
Total Revenue (excluding capital transfers and cont		35 192	30 955	25 208	19 986	20 989	10 297	10 449	10 132	15 972	10 172	11 339	12 187	212 880	230 122	248 260
Expenditure By Type																
Employee related costs		6 007	6 105	6 202	6 270	7 088	6 152	6 111	6 088	6 208	6 200	6 288	6 011	74 730	79 812	85 319
Remuneration of councillors		267	267	267	267	267	267	267	267	267	267	267	268	3 205	3 423	3 659
Debt impairment		900	900	900	900	900	900	900	900	900	900	900	900	10 800	11 534	12 330
Depreciation & asset impairment		642	642	642	642	642	642	642	642	642	642	642	651	7 713	8 238	8 806
Finance charges		438	438	438	438	438	438	438	438	438	438	438	431	5 249	5 606	5 993
Bulk purchases		4 687	4 420	3 642	3 680	3 660	3 605	3 588	3 498	3 465	3 605	4 401	4 041	46 292	51 391	57 148
Other materials		832	832	832	832	832	832	832	832	832	832	832	833	9 989	10 649	11 379
Contracted services													–	–	–	–
Transfers and grants													–	–	–	–
Other expenditure		4 570	4 570	4 570	4 570	4 570	4 570	4 570	4 570	4 570	4 570	4 570	4 571	54 841	59 361	63 471
Loss on disposal of PPE													–	–	–	–
Total Expenditure		18 343	18 174	17 493	17 599	18 397	17 406	17 348	17 235	17 322	17 454	18 338	17 705	212 819	230 014	248 105
Surplus/(Deficit)		16 849	12 781	7 715	2 387	2 592	(7 109)	(6 899)	(7 103)	(1 350)	(7 282)	(6 999)	(5 518)	62	109	156
Transfers recognised - capital													–	–	–	–
Contributions recognised - capital													–	–	–	–
Contributed assets													–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		16 849	12 781	7 715	2 387	2 592	(7 109)	(6 899)	(7 103)	(1 350)	(7 282)	(6 999)	(5 518)	62	109	156
Taxation													–	–	–	–
Attributable to minorities													–	–	–	–
Share of surplus/ (deficit) of associate													–	–	–	–
Surplus/(Deficit)	1	16 849	12 781	7 715	2 387	2 592	(7 109)	(6 899)	(7 103)	(1 350)	(7 282)	(6 999)	(5 518)	62	109	156

MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)

NC085 Tsantsabane - Supporting Table SA27 Budgeted monthly revenue and expenditure (standard classification)

Description	Ref	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue - Standard																
Governance and administration		18 428	6 903	6 931	6 937	15 396	6 960	6 905	6 880	13 930	6 872	6 921	7 071	110 134	107 573	107 725
Executive and council		4 042	4 014	4 042	4 042	4 040	4 030	4 025	4 038	4 040	4 041	4 041	4 105	48 500	40 798	33 613
Budget and treasury office		12 056	559	559	565	9 026	600	550	512	7 560	501	550	636	33 674	36 410	39 906
Corporate services		2 330	2 330	2 330	2 330	2 330	2 330	2 330	2 330	2 330	2 330	2 330	2 330	27 960	30 365	34 205
Community and public safety		273	173	173	173	417	173	173	173	217	173	173	176	2 467	2 693	2 868
Community and social services		173	173	173	173	173	173	173	173	173	173	173	176	2 079	2 281	2 431
Sport and recreation		100				100				44			(0)	244	260	278
Public safety													–	–	–	–
Housing						144							0	144	151	159
Health													–	–	–	–
Economic and environmental services		233	233	233	233	233	233	233	233	233	233	233	236	2 799	2 921	3 054
Planning and development													–	–	–	–
Road transport		233	233	233	233	233	233	233	233	233	233	233	236	2 799	2 921	3 054
Environmental protection													–	–	–	–
Trading services		8 923	9 082	8 221	7 436	6 985	7 951	8 047	8 253	8 312	8 886	7 891	7 494	97 481	116 935	134 614
Electricity		4 944	5 089	4 700	3 801	3 010	3 008	2 205	2 558	3 758	4 889	4 788	4 586	47 336	59 065	68 032
Water		1 989	2 005	1 530	1 647	1 988	2 955	3 855	3 705	2 562	2 003	1 099	933	26 271	30 367	34 529
Waste water management		1 171	1 170	1 172	1 170	1 168	1 171	1 170	1 171	1 175	1 175	1 169	1 168	14 050	15 505	17 325
Waste management		819	818	819	818	819	817	817	819	817	819	835	808	9 825	11 999	14 728
Other													–	–	–	–
Total Revenue - Standard		27 857	16 391	15 558	14 779	23 031	15 317	15 358	15 539	22 692	16 164	15 218	14 976	212 880	230 122	248 260
Expenditure - Standard																
Governance and administration		6 107	5 505	5 432	5 369	5 418	5 426	5 519	5 517	5 513	5 479	5 343	5 452	66 080	71 367	76 306
Executive and council		1 479	1 477	1 488	1 472	1 477	1 477	1 480	1 489	1 458	1 469	1 479	1 499	17 744	18 951	20 259
Budget and treasury office		2 742	2 742	2 742	2 742	2 742	2 741	2 740	2 720	2 750	2 720	2 724	2 797	32 902	35 273	37 810
Corporate services		1 886	1 286	1 202	1 155	1 199	1 208	1 299	1 308	1 305	1 290	1 140	1 155	15 433	17 143	18 238
Community and public safety		2 851	2 467	2 462	2 687	2 396	2 394	2 398	2 397	2 472	2 550	2 491	2 697	30 262	32 474	34 709
Community and social services		866	886	880	802	805	812	817	815	891	965	899	955	10 393	11 160	11 923
Sport and recreation		733	733	733	733	733	733	733	733	733	733	733	736	8 799	9 397	10 045
Public safety		747	747	747	747	747	747	747	747	747	747	747	753	8 970	9 580	10 242
Housing		105	101	102	105	111	102	101	102	101	105	112	110	1 257	1 343	1 435
Health		400			300								144	844	995	1 063
Economic and environmental services		7 300	–	400	–	6 500	–	150	–	5 839	–	–	275	20 464	21 680	23 176
Planning and development		300		400		500		150		150			274	1 774	1 895	2 026
Road transport		7 000	–			6 000				5 689			0	18 689	19 785	21 150
Environmental protection													–	–	–	–
Trading services		9 379	9 549	8 199	7 618	7 307	6 836	6 579	6 785	7 935	7 903	9 063	8 859	96 012	104 492	113 913
Electricity		4 930	5 050	3 600	2 400	2 300	2 105	2 008	2 154	3 699	3 995	5 289	5 090	42 620	45 906	49 458
Water		2 230	2 280	2 380	2 999	2 788	2 512	2 352	2 412	2 017	1 689	1 555	1 553	26 767	30 149	34 057
Waste water management		1 286	1 286	1 286	1 286	1 286	1 286	1 286	1 286	1 286	1 286	1 286	1 292	15 438	16 488	17 626
Waste management		933	933	933	933	933	933	933	933	933	933	933	924	11 187	11 948	12 772
Other													–	–	–	–
Total Expenditure - Standard		25 637	17 521	16 493	15 674	21 621	14 656	14 646	14 699	21 759	15 932	16 897	17 284	212 819	230 014	248 105
Surplus/(Deficit) before assoc.		2 220	(1 130)	(935)	(895)	1 410	661	712	840	933	232	(1 679)	(2 307)	62	109	156
Share of surplus/ (deficit) of associate													–	–	–	–
Surplus/(Deficit)	1	2 220	(1 130)	(935)	(895)	1 410	661	712	840	933	232	(1 679)	(2 307)	62	109	156

MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

NC085 Tsantsabane - Supporting Table SA26 Budgeted monthly revenue and expenditure (municipal vote)

Description	Ref	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue by Vote																
Vote 1 - Executive & Council								13 000	15 000	10 000	5 500	5 000	–	48 500	40 798	33 613
Vote 2 - Budget & Treasury		19 900	5 405	3 808	3 901	3 810	1 948	3 702	3 688	3 730	3 850	3 980	3 902	61 624	66 764	74 100
Vote 3 - Corporate Services								141	45	56			(0)	241	257	275
Vote 4 - Community & Social Services		155	150	144	155	159	160	133	128	194	168	166	136	1 848	2 034	2 167
Vote 5 - Sport & Recreation		100				75				56			0	231	247	264
Vote 6 - Public Safety		138	139	133	138	144	140	142	133	130	132	145	145	1 659	1 772	1 894
Vote 7 - Road Transport		98	95	90	90	96	92	99	95	95	98	100	92	1 140	1 150	1 160
Vote 8 - Electricity		4 944	5 089	4 700	3 801	3 010	3 008	2 205	2 558	3 758	4 889	4 788	4 586	47 336	59 065	68 032
Vote 9 - Water		1 989	2 005	1 530	1 647	1 988	2 955	3 855	3 705	2 562	2 003	1 099	933	26 271	30 367	34 529
Vote 10 - Waste Water Management		1 171	1 170	1 172	1 170	1 168	1 171	1 170	1 171	1 175	1 175	1 169	1 168	14 050	15 505	17 325
Vote 11 - Waste Management		819	818	819	818	819	817	817	819	817	819	835	808	9 825	11 999	14 728
Vote 12 - Housing		100						45					(0)	145	152	159
Vote 13 - Planning & Development								12					–	12	13	14
Total Revenue by Vote		29 414	14 871	12 396	11 720	11 269	10 291	25 321	27 342	22 573	18 634	17 282	11 769	212 880	230 122	248 260
Expenditure by Vote to be appropriated																
Vote 1 - Executive & Council		1 479	1 477	1 488	1 472	1 477	1 477	1 480	1 489	1 458	1 469	1 479	1 499	17 744	18 951	20 259
Vote 2 - Budget & Treasury		12 524	702	700	699	9 589	605	709	801	6 880	800	745	648	35 402	37 943	40 664
Vote 3 - Corporate Services		1 299	1 299	1 299	1 299	1 299	1 299	1 299	1 299	1 299	1 299	1 299	1 299	15 588	17 309	18 414
Vote 4 - Community & Social Services		644	650	644	644	655	650	640	645	625	650	655	636	7 738	8 325	8 892
Vote 5 - Sport & Recreation		733	718	745	725	733	745	740	728	722	728	740	742	8 799	9 397	10 045
Vote 6 - Public Safety		619	620	622	625	610	619	618	618	633	634	607	607	7 432	7 937	8 485
Vote 7 - Road Transport		1 100	1 208	1 152	1 166	1 180	1 120	1 133	1 105	1 155	1 168	1 170	1 159	13 816	14 581	15 587
Vote 8 - Electricity		3 955	4 011	3 905	3 124	2 780	2 625	2 222	2 478	2 801	4 885	4 780	5 054	42 620	45 906	49 458
Vote 9 - Water		2 230	2 280	2 380	2 999	2 788	2 512	2 352	2 412	2 017	1 689	1 555	1 553	26 767	30 149	34 057
Vote 10 - Waste Water Management		1 286	1 286	1 286	1 286	1 286	1 286	1 286	1 286	1 286	1 286	1 286	1 292	15 438	16 488	17 626
Vote 11 - Waste Management		933	933	933	933	933	933	933	933	933	933	933	924	11 187	11 948	12 772
Vote 12 - Housing			350			350			350		207		0	1 257	1 343	1 435
Vote 13 - Planning & Development			1 430			1 650					1 212		0	4 292	4 584	4 900
Vote 14 - Health										844			0	844	995	1 063
Vote 15 - Other		1 302				1 296				1 295			0	3 894	4 159	4 446
Total Expenditure by Vote		28 104	16 964	15 154	14 972	26 626	13 871	13 412	14 144	21 948	16 960	15 249	15 415	212 819	230 014	248 105
Surplus/(Deficit) before assoc.		1 310	(2 094)	(2 758)	(3 253)	(15 357)	(3 580)	11 909	13 198	625	1 674	2 033	(3 646)	62	109	156
Surplus/(Deficit)	1	1 310	(2 094)	(2 758)	(3 253)	(15 357)	(3 580)	11 909	13 198	625	1 674	2 033	(3 646)	62	109	156

MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)

NC085 Tsantsabane - Supporting Table SA28 Budgeted monthly capital expenditure (municipal vote)

Description	Ref	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Multi-year expenditure *to be appropriated*	1															
Vote 1 - Executive & Council					15	125	–	145	222	443			–	950	4 000	10 000
Vote 7 - Road Transport		750	1 002	1 236	1 236	1 336	1 336	1 136	1 388	1 490	1 425	1 288	1 210	14 833	15 815	16 485
Capital multi-year expenditure sub-total	2	750	1 002	1 236	1 251	1 461	1 336	1 281	1 610	1 933	1 425	1 288	1 210	15 783	19 815	26 485
Single-year expenditure *to be appropriated*																
Vote 1 - Executive & Council					45	60	80	104	37				(0)	326	70	73
Vote 2 - Budget & Treasury			40	80	46								–	166	–	–
Vote 3 - Corporate Services								350	500	395	100	67	0	1 412	570	588
Vote 4 - Community & Social Services					40	41							–	81	70	81
Vote 5 - Sport & Recreation													–	–	–	–
Vote 6 - Public Safety				50	125	135	80	20	40				–	450	1 547	1 235
Vote 15 - Other													–	–	–	–
Capital single-year expenditure sub-total	2	–	40	130	256	236	160	474	577	395	100	67	0	2 435	2 257	1 977
Total Capital Expenditure	2	750	1 042	1 366	1 507	1 697	1 496	1 755	2 187	2 328	1 525	1 355	1 210	18 218	22 072	28 462

MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

NC085 Tsantsabane - Supporting Table SA29 Budgeted monthly capital expenditure (standard classification)

Description	Ref	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Capital Expenditure - Standard	1															
Governance and administration		124	124	283	358	293	306	262	288	271	222	224	100	2 854	4 641	10 661
Executive and council		106	106	106	108	108	107	107	107	106	107	109	99	1 276	4 071	10 073
Budget and treasury office		18	18	60	70								–	166	–	–
Corporate services				117	180	185	199	155	181	165	115	115	0	1 412	570	588
Community and public safety		–	–	–	140	73	318	–	–	–	–	–	–	531	1 617	1 316
Community and social services					20	40	21						–	81	70	81
Public safety					120	33	297						–	450	1 547	1 235
Economic and environmental services		750	1 002	1 236	1 236	1 336	1 336	1 136	1 388	1 490	1 425	1 288	1 210	14 833	15 815	16 485
Road transport		750	1 002	1 236	1 236	1 336	1 336	1 136	1 388	1 490	1 425	1 288	1 210	14 833	15 815	16 485
Trading services		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Capital Expenditure - Standard	2	874	1 126	1 519	1 734	1 702	1 960	1 398	1 676	1 761	1 647	1 512	1 310	18 218	22 072	28 462
Funded by:																
National Government		7 000			6 000					1 833			–	14 833	15 815	16 485
Transfers recognised - capital		7 000	–	–	6 000	–	–	–	–	1 833	–	–	–	14 833	15 815	16 485
Internally generated funds		282											3 103	3 385	6 257	11 977
Total Capital Funding		7 282	–	–	6 000	–	–	–	–	1 833	–	–	3 103	18 218	22 072	28 462

1.17 Contracts having future budgetary implications

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

1.18 Capital expenditure details

The capital budget is attached as a separate document.

Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting
   Reporting to National Treasury in electronic format was not fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has improved. The CFO needs to take Actions to comply with above. The Municipalities website is active as and needs to publish the information on the Municipality's website.

2. Internship programme
   The Municipality is participating in the Municipal Financial Management Internship programme and has employed five (5) interns undergoing training in various divisions of the Financial Services Department.

3. Budget and Treasury Office
   The Budget and Treasury Office has been established in accordance with the MFMA. Additional staff needs to be appointed to help with the compilation of the budget, Treasury reports and the AFS.

4. Audit Committee
   The Audit Committee is non-functional. Adverts have been published in newspapers to appoint audit committee members. Tsantsabane Municipality will make use of the ZFM District Municipalities audit committee until a permanent committee has been appointed.

5. Service Delivery and Implementation Plan
   The draft SDBIP document is available and will be approved as required by the MFMA. The draft SDBIP will be finalised after approval of the 2016/17 MTREF in April/May 2016 and will be directly aligned and informed by the 2016/17 MTREF.

6. Annual Report
   The 2014/15 Annual report is compiled in terms of the MFMA and National Treasury requirements. The Oversight Committee did review the Annual Report and did make recommendations to the Council. Council will consider the recommendations during the March 2016 council meeting.

7. MFMA Training
   The MFMA training module in electronic format is presented at the Municipality's internal centre and training is on-going.

8. Policies
   An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

1.19 Municipal Manager's quality certificate

I, HG Mathobela, Municipal Manager of Tsantsabane Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name Mr HG Mathobela

Municipal Manager of Tsantsabane Municipality

Signature :_____

Date :29/03/2016